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ABSTRACT

A study examined the extent to which employers in the United Kingdom (UK) are involved in the youth labor market and in the UK's Training Credits model within the South London Training and Enterprise Council (SOLOTEC) area. Data were collected from the following sources: review of labor market trends; qualitative interviews with 36 employers selected to represent a mix of individuals employing and not employing young people; telephone survey of 250 employers (in 9 occupational areas) with 11 to more than 200 employers; and analysis of future labor market trends. Fewer than half the employers interviewed actually employed any young people in their workplace. One-fourth of those not employing young workers reported preferring older workers, and one-fourth considered their available jobs unsuitable for young people. Most employers were generally content with the quality of young workers. Once young people had gained employment, their prospects for receiving further training were very favorable. Employers were generally aware of and involved with a wide range of government training initiatives. Approximately half of the employers had heard about Training Credits; however, only a small minority were actually involved with the initiative. (Forty-nine tables/figures are included. Appended are an explanation of the shift-share methodology. Contains 27 references.) (MN)

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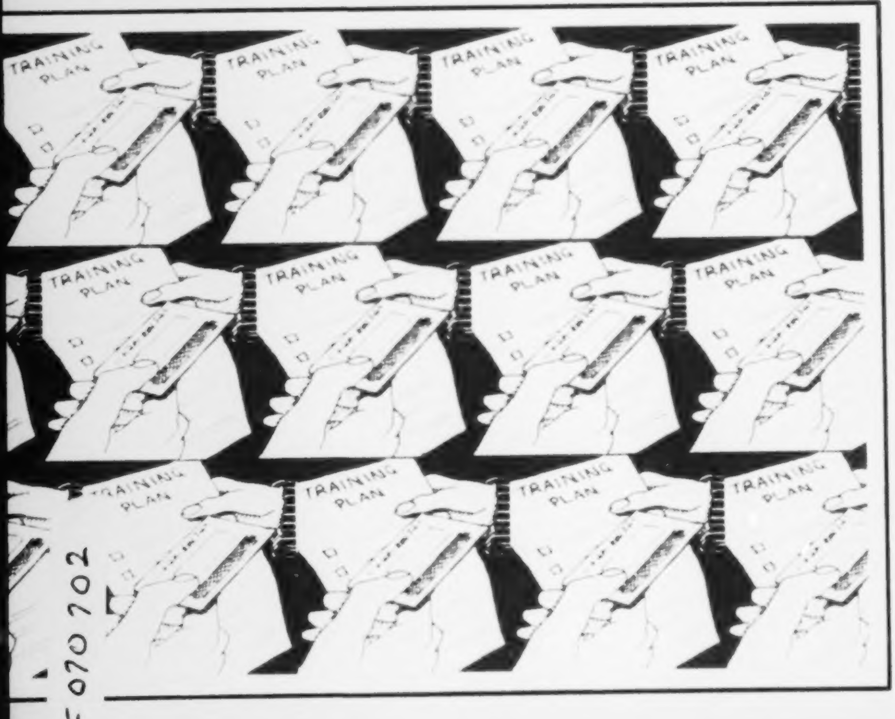
THE YOUTH LABOUR MARKET, SOLOTEC, AND TRAINING CREDITS

M Spilsbury, S Dench, M Williams



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Executive Summary

This research has been commissioned by SOLOTEC, and investigates the involvement of employers with the youth labour market in general and with Training Credits in particular. It examines the extent of employers' involvement, reasons behind involvement (or non-involvement) and examines the future trends affecting the employment of young people. This is analysed in a context of exploring ways in which SOLOTEC can influence the labour market for young people.

The study used a variety of research methods: a review of trends in the youth labour market; a programme of qualitative interviews with employers; a larger scale telephone survey of employers, and an analysis of future trends in the labour market. Fieldwork was conducted in May and June of 1994.

Background

The youth labour market is one that has notable distinctions, in that youth employment is primarily located in a relatively few industrial and occupational segments. About a third of young males who are in the labour market work in distribution (almost twice the rate that would be expected given the adult employment patterns), with a further 15 per cent in construction. The employment patterns of young females more closely reflect those of adult females, with about a third of those in employment working in distribution, and another third in other services. In terms of occupations, 42 per cent of young males work in craft and related occupations; a third of young females work in clerical and related jobs, a quarter in personal services and a further 20 per cent in selling. For both young males and young females there is almost a total exclusion from the higher level (professional) occupations, which leads to over-representation of young people in the other occupational orders.

Given this concentration of young people in a few sectors, employment prospects are particularly susceptible to industrial and occupational shifts. The changing industrial structure has adversely affected the employment of both young males and females, but a greater impact has been made by employers changing their skill supply strategies. Employers are moving away from a model where they employ large numbers of young people to one in which they have reduced their aggregate demand for young people, but have raised the quality requirements. This has led to some employers focusing their demand on older school leavers, if they remain interested in school leavers at all.

This declining demand for school leavers has developed at the same time (and the extent of interactions is almost impossible to divine) as a decline in the number of school leavers wishing to enter the labour market. The fall in the absolute numbers of young people has been well documented, but at the same time there has been an increase in the education participation rate beyond the age of 16. As a result, the number of young people available to start work has dropped by about a half over the period 1980-81 to 1992-93.

Training Credits (called Training Accounts in the SOLOTEC area) is designed to improve the employment and training of young people. However, the performance of Training Credits (both nationally and in the SOLOTEC area) has not met original hopes. Awareness of Training Credits amongst employers is low, as is subsequent involvement. Whilst Training Credits appear to be having a positive impact on young people, there is no discernible impact on either employers or training providers.

A group of young people who are of particular interest to SOLOTEC are those with special needs. Gaining employment is important to such individuals as it is seen as an achievement which signifies the attainment of adult status. However, employment prospects for people with special needs have never been particularly good, and may have deteriorated over the last few years. Success of initiatives to encourage employment of people with special needs has been limited.

Employers and the youth labour market

The evidence from the employer interviews do not give great grounds for optimism for the future employment prospects of young people. Less than half of employers actually had any young people in their workplace, and where some were employed, the numbers were small: in the majority of cases, just one. Two clear reasons for this can be identified:

- The impact of the recession and attendant low turnover amongst current employees, had led to very few vacancies arising. Employers had therefore stopped recruiting and young people had not had the opportunity to enter employment in these organisations.
- At the same time, many employers had changed their work organisation and working practices. This meant that many employers had fewer junior jobs within their organisational structures and that there was less scope to take on a junior person who required training (particularly when there were often experienced people also seeking jobs who could be productive from day one). This was a particular emphasis within the service sector, where a growing awareness for the need for higher levels of customer service had led to demands for mature people.

The findings of the telephone survey reflect the evidence from the case studies, but give a clearer indication of the extent of the observed phenomena. Less than half of the employers actually had any young people employed at the time of the survey, with a third noting that this was due to short term factors, a quarter that it was due to their preferences (either against young people or for older workers) and a third citing features of jobs which made them unsuitable for young people to undertake.

In terms of the penetration of young people into the labour market, it is clear that they are not being considered at all by about a third of all employers. In the remainder of employment opportunities, young people are increasingly finding themselves in competition with adults for the same jobs. Compared to the 1970s the extent to which sheltered employment opportunities exist for young people (with adults excluded) is limited to a relatively small proportion of employers. In an economic climate where instant productivity is an economic necessity *and* where there is a plentiful supply of experienced adults, this has the effect of working against the employment of young people.

The findings from this analysis point to a number of emerging trends. On a national basis, the number of young people in employment fell by more than a third between 1990 and 1993. This fall will bottom out in the mid 1990s and will rise gradually to the year 2000. Even so, the level of youth employment in 2000 will only be two-thirds of the 1990 level.

In the SOLOTEC area, the projected trends in youth employment show roughly the same pattern, with some deviations. Total youth employment will begin to recover earlier and further, so that by the year 2000 youth employment is expected to have reached 74 per cent of its 1991 level.

Quality of young people

There was some concern about the quality of young people (particularly the level of literacy), but the employers who reported this were out-numbered by those employers who were generally content with the quality of young people. Indeed, there were more employers who took a stance that the jobs that they had to offer were unsuitable for young people, being either dangerous or low skilled, thus taking the view that their jobs were not good enough for young people rather than vice versa.

People with special needs

Young people who had special needs were at the end of the job queue. Employers were positive about employing individuals who had a physical disability and although none had actually employed a young person with a disability, several had older employers with disabilities. Employers were less positive towards individuals who had learning difficulties, stating, almost without exception, that their jobs required a minimum level of basic skills and that a lack of these would work against recruitment.

Training

Once a young person has gained employment, then prospects for receiving training are very favourable. Nearly all employers offered training on introduction to the workplace and for continuing employment. Indeed, training appears to be an accepted part of the working environment for the majority of employees. However, the impact of Training Accounts on either the decision to recruit or train a young person appears limited. Relatively few employers had heard of Training Accounts, and only a small minority were involved. Only about a quarter of employers believed that a hypothetical grant towards either training or wage costs would have a great impact on the employment decision.

Awareness and involvement with Government initiatives

The employers were generally aware and involved with a wide range of initiatives, with the most popular being BS5750, NVQs and Investors in People. Similarly, about half of the employers had heard about Training Credits, but only a small minority were involved or had any level of understanding about the initiative. In terms of the impact that such an initiative might have, the employer responses were not particularly encouraging. Whilst a minority of employers thought that grants towards either the wage costs or training costs would encourage them to increase their employment of young people, the majority were definite in giving a negative answer. The decision to employ a young person or not was taken on commercial grounds and the existence of any such grant can only operate on the margins of this employment decision.

Implications

The research findings indicate that the youth labour market has suffered a dramatic collapse over the period of the last recession. Due to work and organisational changes, there are few prospects of a recovery to the levels enjoyed in 1991. This may have beneficial effects in that it has undoubtedly contributed to the increased staying-on rate in education but has, in the short-term, created problems for SOLOTEC, particularly in generating sufficient employer involvement to meet the Youth Guarantee.

The findings from this analysis point to a number of emerging trends. On a national basis: the number of young people in employment fell by more than a third between 1990 and 1993. This fall will bottom out in the mid 1990s and will rise gradually to the year 2000. Even so, the level of youth employment in 2000 will be less than the 1993 level. In the SOLOTEC area, the projected growth (or decline) of youth employment shows the same pattern, with some deviation. Total youth employment initially falls further than for the whole of Great Britain, begins to recover at roughly the same time but does so at a lower rate. By the year 2000, youth employment is expected to have reached 82 per cent of the 1993 level (but less than 60 per cent of its 1991 level).

We believe that SOLOTEC's response to this should be to act on a number of fronts. With regard to Training Credits we believe that SOLOTEC should:

- consider a concentrated marketing campaign aimed at raising awareness and understanding of Training Credits, thus encouraging involvement.
- consider minor changes to Training Credits to make it operate more flexibly and less bureaucratic. Particular changes which might be considered are:
    - expanding the age range for which Training Credits can be applied. As employers are increasingly looking to recruit older people, so eligibility should follow this trend and allow applicability to older workers.
    - making Training Credits appropriate to those employers who train mainly in-house, on-the-job, even perhaps to their own standards.

Given that SOLOTEC's ability to create employment in its area is limited, we feel that it should concentrate its efforts on increasing the chances of employers considering young people as potential recruits. This should involve:

- a marketing campaign which identifies the advantages of young people *vis-à-vis* adults, stressing their competitive advantage and counteracting such negative images as exist. This may usefully build on the positive images that many employers have from their involvement with work experience schemes.
- increased amounts of job skill training for young people so that they can operate more effectively in the labour market.

1. Introduction

1.1 Background

The youth labour market is rightly seen as one which is vital to the overall skills supply of the UK. Young people entering the labour market have traditionally been one of the major sources of new labour supply. From the individual's point of view, a smooth transition from education to the world of work is one that is most important for later career success.

Because of this importance, it is perhaps of surprise that there is some concern over how the youth labour market continues to operate in the face of a number of changes in employment and employer behaviour: the falling number of 16 to 18 year olds as a result of the demographic downturn, the increasing education participation rate and changing patterns of employer demand. Over recent years, the way in which the government intervenes in this market has also begun to change, from the well-established Youth Training, to the Training Credits model, a move designed to empower young people and give them more influence in the labour market.

1.2 Research aims

The aims of the research were to investigate employers' involvement in the youth labour market and Training Credits within the SOLOTEC area, and how this involvement might be strengthened. The specific, overall objectives of the research were to:

- supply information about employer approaches to recruiting and training young people
- to test employers' responses to a series of initiatives and support measures intended to encourage more employers to recruit and train young people
- to assist SOLOTEC to maintain and improve the position of young people with special needs by exploring employers' attitudes to special needs training and ways in which more employers can be encouraged to consider young people with special needs
- to make recommendations regarding a 'model package' of support measures and incentives
- to estimate the size of the market for the model package
- assess the long-term prospects for Training Credits in the South London youth labour market, in the light of changes in the structure of the youth labour market.

1.3 Research methods and sample

The study used a variety of research methods: a review of trends in the youth labour market, a programme of qualitative interviews with employers; a larger scale telephone survey of employers and an analysis of future trends in the labour market.

A review of trends in the youth labour market was deemed to be necessary because the youth labour market is one of the most researched labour markets, and one in which there already exists much understanding and knowledge. We have used this existing knowledge to inform our understanding of the youth labour market in the SOLOTEC area and policy development. This review has taken the form of a review of the literature on the youth labour market and an analysis of existing data sources.

The **programme of qualitative interviews** with employers (who are both employers and non-employers of young people) has provided us with information on employer views about the employment and training of young people and how this fits into the employer's overall skill supply strategy.

The sample frame of the employers for these interviews was initially structured so that it was proportionate to the distribution of employment of young people across SICs and to give adequate representation of employers of different sizes. SOLOTEC provided lists of employers who were known to be either employers or non-employers of young people and these were fitted to our sample distribution. The actual distribution of employers did not quite accord by size and sector as we could not always secure the 'ideal' employer. We have not included training providers in these employers, although these are an important destination for school leavers, whether they be receiving training on 'employed' status or otherwise. They are not, however, 'employers' in the true sense, and were thought to have a peculiar opinion of Training Credits, which we wished to avoid.

Arranging the interviews did cause some problems. Some employers showed signs of research fatigue, others who did not employ young people could not see the relevance of taking part in such a survey and so declined. Overall we approached just over 100 employers and completed 36 interviews on a face-to-face basis.

The **telephone survey** followed sequentially from the qualitative interviews, and allowed us to address in a more quantitative approach the issues that had been raised. The sample was chosen to reflect the balance of employment across the SOLOTEC area and the distribution is shown below in Table 1.1.

Finally, we wished to **project the changes** in the youth labour market forward to the turn of the century, and for this reason we undertook a small scale contextual analysis of the labour market. We conducted a shift-share analysis of the national labour market using the Labour Force Survey. This was then scaled down to the SOLOTEC area and projections based on SOLOTEC's employment trends from the 1991 Census data and SOLOTEC's employment forecast were constructed.

Table 1.1 Size and SIC distribution of achieved sample

	Size (No. employees)			Total	
Sector	**11-99**	**100-199**	**200+**	**N**	**%**
Extraction of ores & minerals	5	5	0	10	4
Metal goods manufacture	5	3	3	11	4
Other manufacturing	4	5	7	16	6
Construction	20	3	1	24	10
Distribution, hotel & catering	35	9	17	61	24
Transport & communication	15	1	0	16	6
Banking & finance	32	8	9	49	20
Miscellaneous services	38	2	0	40	16
Public administration	12	3	8	23	9
Total (N)	166	39	45	250	100
(%)	66	16	18	100	

Source: IES Survey, 1994

1.4 Structure of the report

The remainder of the report is structured in the following manner:

- Chapter 2 reports on the review of the youth labour market, looking at industrial and occupational structures of employment, trends in employer skill supply strategies, trends in participation rates and the role of Training Credits in the youth labour market.
- Chapter 3 reports the findings from the qualitative employer interviews.
- Chapter 4 discusses the findings from the telephone interview.
- Chapter 5 reports on the evidence from a modelling exercise undertaken on the size and structure of the youth labour market to the year 2000.
- Chapter 6 provides a conceptual framework in which we examine employer involvement in Training Credits and explores ways in which policy may be developed to strengthen that involvement.

2. Review of the Youth Labour Market

2.1 Introduction

The youth labour market has been one of the most researched and debated labour market topics since the early 1980s. There is significant literature on youth labour markets, although since the creation of the Youth Cohort Study in 1984 (a longitudinal cohort study of successive generations of school leavers: see the *Employment Gazette*, May 1993 for full details) there has been a general dearth of employer-based studies. However, earlier debates have enabled a good understanding to be reached on how the youth labour market operates.

In this chapter we review this information to provide a background understanding of the structure and the dynamics of the youth labour market. Initially we examine the concept of the youth labour market, then we examine its structure and recent trends, moving onto an examination of how employers interact with young people in the labour market. School leavers who have special needs (of whatever definition) face almost a double disadvantage when trying to enter the labour market, and we spend some time discussing the evidence relating to this group. Finally, we examine the role of Training Credits in the labour market.

2.2 Conceptualising the youth labour market

The study of the youth labour market in the UK may be typified as being in two opposing camps. These can be loosely described as the cyclical theorists and the structural theorists such that:

- *cyclical theorists* believe that the youth labour market is part of a general labour market and is therefore subject to the same forces. British evidence shows that the employment of young people is particularly sensitive to shifts in the general level of demand. This school of thought thereby discounts structural explanations of youth unemployment and looks to general recovery in the economy to stimulate recruitment of young people.
- *the structuralists* believe that employers do not regard different types of labour as easily substitutable and that as a result, young people's employment will be concentrated in a limited number of occupational and industrial sectors. Any shifts in the structure of employment may have disproportionate effects on the employment prospects of young school leavers.

Much of the distinction between these two schools lies in the nature of competition in the labour market. On the basis that different types of individuals represent very different types of labour supply, we can see that assumptions of a largely undifferentiated labour market can be overlooked. With specific reference to young people, Ashton, Maguire and Garland (1982) identified three different modes of competition:

- **where competition is restricted to young people, so that they compete against each other for entry**: adults are precluded from competing and this provides young people with a *sheltered* entry point
- **where competition is restricted to adults only**: this form of competition means that these jobs are closed to young people, and
- **where young people compete alongside adults for entry**: this provides young people with an *exposed* point of entry.

The importance of the distinction between the 'structuralists' and the 'cyclical theorists' is that of the appropriate policy response to youth unemployment. The implication from the cyclical theorists is that, as youth labour is no different from the overall labour supply, there are no specific policies which need to be addressed only to them. On this basis, policies should be aimed at alleviating overall unemployment, from which young people will directly benefit. Indeed, attempts to try and alleviate unemployment for a particular group, such as young people, will only result in raising employment amongst another group, as employers see the different groups as perfectly interchangeable. If the structural theorists are correct, however, young people may be facing a particular risk of exclusion from the labour market and therefore remedial policies are needed to address their particular employment problems.

On balance, it is very probably the case that the truth lies somewhere between these two camps and the labour market for young people is affected by both cyclical and structural factors, *ie* that it has been adversely affected by the general downturn in the level of demand for labour *and* that it has also been subject to a particular re-structuring. Over the next two sections below we examine the structure of the youth labour market (including recent trends) and examine changes in employers' skill strategies which have particularly impacted on the demand for young people.

2.3 Location of the youth labour market and trends

This analysis gives us a framework to look at the general background of the youth labour market. Regardless of the views of the cyclical/structural debate, it was (and remains) easy to point to the fact that the youth labour market has a very distinctive pattern to it. Ashton, Spilsbury and Maguire (1990) examined the structure of youth employment, noting the existence of such a concentration, such that:

- In 1971, when the minimum school leaving age was 15, half of all 15 year old males were employed in just six of the 27 industrial orders (agriculture, metal goods, timber and furniture, construction, distributive trades and miscellaneous services) compared to just over a quarter of all males in employment. Similarly, 56 per cent of 15 year old females were employed in just four industrial orders (textiles, clothing and footwear, paper and print, and distributive trades), compared to 27 per cent of all-age females.
- In 1979, 81 per cent of all employed 16 year old males were concentrated in five of the nine industrial sectors (metal goods, other manufacturing, construction, distribution and other services). Females were equally concentrated, but in other sectors, so that 79 per cent of female 16 year old employment was based in just three sectors (other manufacturing, distribution and financial services).

Obviously, trends were impacting on the distribution of youth employment. The work undertaken by Ashton *et al.* (*op cit.*) was underpinned by the hypotheses that these trends would work against young people. Examining the 1980s, when youth employment actually fell by about 137,000 (a fall of about 12 per cent), using a shift share analysis change was apportioned to three factors:

- change due to the change in the overall size of the labour force: if the overall labour force changes size, then (all other things being equal) the number of young people employed should also change
- change due to structural changes in industrial and occupational structure: as young people do show a tendency to be employed in a few sectors, then changing fortunes for these sectors could have a relative impact on the overall level of youth employment
- change within sectors, whereby employers were changing the relative balance of their workforces.

Table 2.1 Reason for change in youth employment, 1979-84

Reason for change	Size of change ('000s) Males	Size of change ('000s) Females
Changing size of work force	−77	17
Changing industrial structure	−43	−18
Changing balance of employment within sectors	19	−37
Total change	−100	−37

Source: Ashton, Maguire & Spilsbury, 1990

The actual level of this change for the period 1979-1984 is shown in Table 2.1. The net change was deemed to be the net result of changes acting in different ways. Thus for males, the actual net job loss of 100,000 jobs was caused by:

- 77,000 jobs disappearing as the shrinking male workforce reduced opportunities for young males to enter the labour market
- the decline of the manufacturing sector resulted in further lost job opportunities of 43,000
- an increase in male employment within sectors of 19,000 as these displaced young males moved into other sectors, sometimes displacing adult males in traditional 'male' jobs, but also moving into jobs previously predominantly done by females.

For females the net job loss was much smaller, at 37,000. This was as a net result of:

- increased job opportunities as increasing female participation dragged up employment of young women
- a reduction in job opportunities of 18,000 due to adverse industrial shifts
- reductions in within-sector employment as young females began to suffer from competition from adult females returning to the labour market and from young males moving across into previously 'female' jobs.

Coming up-to-date we can use the Labour Force Survey (LFS) to examine the current structure of youth employment in terms of industry and occupation, and examine the extent to which these changes, noted earlier, have been continued.

This initial examination shows that the employment structure of young people does not appear to have changed dramatically over the intervening period: overall, 49 per cent of young people work in distribution (49 per cent of males and 55 per cent of females), compared to 19 per cent of adult workers, and that a further fifth of all young people work in the other services sector. There is some sexual differentiation: 55 per cent of young females work in distribution and about 25 per cent in other services. The employment of young males is similarly skewed, but not to the same degree: about half of young males work in distribution and about ten per cent in each of the other services, construction, engineering and other manufacturing sectors.

Of course, some of this clustering of employment of young people merely reflects the fact that these sectors are large employing sectors: for example, nearly a third of all employment is in the 'other services' sector. There is a simple arithmetic calculation which allows a summary statistic on the over or under-representation of young people in a particular sector — called the Relative Concentration Ratio (RCR). This is derived by dividing the proportion of young people in a sector into the proportion of all adults employed in that sector: a score of one shows that young people are represented to the same proportion as adults, less than one shows that young people are under-represented and a score of over one shows that they are over-represented. Calculating these for the above data immediately shows where youth employment is located to a greater degree than that which we expect, and this is shown in Table 2.2.

This serves to confirm that which is already regarded as being standard labour market knowledge: that young people are over-represented in a one-sector distribution. This is a change from previous years, in that some of the other (predominantly manufacturing) sectors noted in the earlier years have lost their relative position of importance as initial routes for youth labour.

We can repeat this analysis by occupation, and the results show a similar pattern. The adult population distribution shows a fairly similar distribution across the sectors, with the largest occupational group being managers and clerical occupations, with about 16 per cent of all employment. The existence of occupational segmentation by sex can be seen: over a quarter of all adult females work in clerical occupations and a further ten per cent in personal services. About ten per cent of adult females work in managerial, professional, technical, sales and other occupations, with very few engaged as craft workers or plant & machine operators. The employment distribution of males is markedly different: the largest occupational order is craft workers, accounting for over a fifth of all male employment, followed by managers (also about a fifth). There are very low proportions employed in sales or personal service occupations.

Table 2.2 Industrial employment of young people, by sex, compared to adult workers

Industrial Sector	**Male**		**Female**		**Total**	
	16-18	**Adult**	**16-18**	**Adult**	**16-18**	**Adult**
	%	%	%	%	%	%
Agriculture	3.97	2.87	0.66	1.10	2.29	1.95
Energy & water	0.35	2.76	0.29	0.84	0.32	1.98
Minerals, etc.	1.62	3.81	1.07	1.59	1.34	2.88
Metal goods manufacture	8.11	13.66	2.99	4.75	5.51	9.85
Other manufacturing	9.28	9.70	5.73	6.96	7.48	8.53
Construction	9.89	10.78	0.96	1.65	5.36	6.75
Distribution, hotels & catering	49.24	17.20	54.86	23.50	52.13	18.76
Transport & communication	2.54	8.73	2.23	3.18	2.38	6.41
Banking & finance	3.98	11.03	5.58	12.30	4.80	11.85
Other services	11.01	19.47	25.62	44.13	18.40	31.04
Total	443,834	13,831,171	459,017	11,396,113	902,400	23,964,044

Source: Labour Force Survey, 1993

Table 2.3 Relative concentration ratios of young persons employment

Industrial Sector	Male	Female	Total
Agriculture	1.38	0.60	1.17
Energy & water	0.13	0.35	0.16
Minerals, *etc*	0.43	0.67	0.47
Metal goods manufacture	0.59	0.63	0.56
Other manufacturing	0.96	0.82	0.88
Construction	0.92	0.58	0.79
Distribution, hotels & catering	2.86	2.34	2.78
Transport & communication	0.29	0.70	0.37
Banking & finance	0.36	0.45	0.40
Other services	0.57	0.58	0.59
Total	1.00	1.00	1.00

Source: Labour Force Survey, 1993

Table 2.4 Occupational distribution of employment of young people by age and sex

Occupational Order	Male		Female		Total	
	16-18	Adult	16-18	Adult	16-18	Adult
	%	%	%	%	%	%
Managers & administration	1.44	19.12	1.43	11.41	1.44	16.08
Professionals	1.01	11.19	0.42	8.67	0.71	10.40
Associate professionals	2.28	8.53	1.83	9.89	2.05	9.45
Clerical & secretarial	9.24	6.78	16.25	26.14	12.81	15.69
Craft & related	27.26	21.67	2.90	3.21	14.88	13.33
Personal & protective	8.86	6.25	24.97	14.78	17.05	9.85
Sales	19.06	5.14	35.96	11.32	27.65	7.21
Plant & machine operators	5.53	13.63	3.54	4.39	4.52	9.70
Other occupations	24.30	7.69	12.69	10.18	18.89	8.29
Total	443,834	13,831,171	459,017	11,396,113	902,400	23,964,044

Source: Labour Force Survey, 1993

The employment of young people show an almost total exclusion from the higher occupations and a subsequent over concentration in the lower occupational orders. In total, over a quarter of young people work in sales, nearly a fifth in other occupations and also in personal services. Again, we have segmentation by sex. Over a third of female young people work in sales occupations and a quarter work in personnel services. Young males work in only three occupations in any significant numbers: a quarter in craft occupations, a quarter in other occupations and a fifth in sales.

Again, if we present the RCR measures for the occupational distribution, the degree of over and under-representation becomes very much more apparent. Thus, as can be seen in Table 2.4, young people are over three times as likely as adults to work in distribution: young males are more than three times as likely to work in other occupations, and young females are over-concentrated in sales and nearly twice as many times in craft occupations. Interestingly, young females are relatively under-represented in clerical occupations, whilst young males are over-represented: the impact of a large adult female and small male workforce in this order, when compared to the relatively recent influx of young people.

Table 2.5 Relative concentration ratios for young people, by occupation and sex

Occupational Order	Male	Female	Total
Managers & administrators	0.08	0.13	0.09
Professionals	0.09	0.05	0.07
Associate professionals	0.27	0.19	0.22
Clerical & secretarial	1.36	0.62	0.82
Craft & related	1.26	0.90	1.12
Personal & protective	1.42	1.69	1.73
Sales	3.71	3.18	3.84
Plant & machine operators	0.41	0.80	0.47
Other occupations	3.29	1.25	2.28
Total	1.00	1.00	1.00

Source: Labour Force Survey, 1993

This particular distribution should not, perhaps, be seen as an enormous surprise. Intuitive reasons can be put forward as to the over and under-representation in each of these sectors. Young people are often excluded for a number of reasons: the entry qualification for the majority of jobs in the higher occupations is often a degree or further education qualification, or at least a period of time spent gaining appropriate experience. Plant and machine operators are frequently require to use heavy machinery, which young people are often legally excluded from using until the age of 18.

This is certainly the confirmed view of the structure of the youth labour market. However, the recent availability of more refined data is leading to a reassessment. The LFS above contains those who are in a job and also, who are in school or other full-time education. These can now be filtered out to give the employment structure of only those who have left full-time education and are working full-time — a distinction not previously available. This has two immediate impacts:

- It reduces the number of young people who are classified as being in the labour market by nearly half.
- It results in an industrial and occupational structure much closer to the adult structure than had been previously believed.

We can see from Table 2.6 below that there are still a relatively small number of sectors which account for large proportions of youth employment. Overall, distribution accounts for just less than a third of all employment and other services for a further fifth. Female young workers are primarily located in the same two sectors, with a third in other services and also in distribution. Young males show a more even distribution: whilst there are a third of young people in distribution, there are significant proportions of young males employed in construction (15 per cent), metal goods manufacturing (13 per cent), other manufacturing (12 per cent) and other services (11 per cent).

Table 2.6 Industrial employment of young people not in education, by sex

Industrial Sector	**Male**		**Female**		**Total**	
	16-18	**Adult**	**16-18**	**Adult**	**16-18**	**Adult**
	%	%	%	%	%	%
Agriculture	4.20	2.87	0.95	1.10	2.76	1.95
Energy & water	0.58	2.76	0.63	0.84	0.60	1.98
Minerals, etc.	2.42	3.81	1.96	1.59	2.21	2.88
Metal goods manufacture	12.59	13.66	5.83	4.75	9.60	9.85
Other manufacturing	12.02	9.70	9.39	6.96	10.86	8.53
Construction	15.43	10.78	1.92	1.65	9.46	6.75
Distribution, hotels & catering	33.26	17.20	31.34	23.50	32.41	18.76
Transport & communication	3.75	8.73	4.43	3.18	4.05	6.41
Banking & finance	4.93	11.03	10.84	12.30	7.54	11.85
Other services	10.84	19.47	32.72	44.13	20.50	31.04
Total	269,589	13,831,171	213,338	11,396,113	482,933	23,964,044

Source: Labour Force Survey, 1993

The resulting RCRs for industrial employment do not, therefore, show the same degree of extravagant skew shown by the data which included those who are still in education. Thus young males are relatively over-represented in four of the sectors (agriculture, other manufacturing, construction and distribution), but the RCRs never rise above a factor of two compared to the RCRs of three and above seen earlier. Females are over-represented in six of the sectors, but the RCRs never rise above 1.39 (for Transport and Communication).

The occupational employment structure also changes, but not uniformly to the same extent. Young people of both sexes are still excluded from the higher occupations, but there are some changes in the distribution of employment at lower levels. Thus 42 per cent of young males are in craft and related occupations. The proportions is jobs such as other occupations and sales falls significantly. For young females, the proportion employed in clerical occupations increases, whilst the proportion in sales falls.

The RCRs therefore reflect this. Young people are still over-represented in the lower sectors, but the extent of over-representation is not as great and has lessened in the very low level jobs such as other occupations and sales.

Table 2.7 Relative concentration ratios for young people not in education, by SIC

Industrial Sector	Male	Female	Total
Agriculture	1.46	0.86	1.42
Energy & water	0.21	0.75	0.30
Minerals, etc.	0.63	1.23	0.77
Metal goods manufacture	0.92	1.23	0.97
Other manufacturing	1.24	1.35	1.28
Construction	1.43	1.16	1.40
Distribution, hotels & catering	1.93	1.33	1.73
Transport & communication	0.43	1.39	0.63
Banking & finance	0.45	0.88	0.64
Other services	0.56	0.74	0.66
Total	1.00	1.00	1.00

Source: Labour Force Survey, 1993

There are two ways of viewing this data:

- that the traditional view of the youth labour market, with clusters of employment in a limited number of segments, is incorrect and has been masked by the data, or
- that this peculiar structure has been a recent phenomenon used by the restructuring of work opportunities in sales and distribution, so that more part-time jobs are being created and that these are being filled by the increasing proportions of young people who are staying on at school.

We return to this in Chapter 3 where we hear further evidence from the quantitative discussions and in Chapter 5 where we have modelled the future youth labour market.

Table 2.8 Occupational distribution of young people not in education by sex

Occupational Order	Male		Female		Total	
	16-18	Adult	16-18	Adult	16-18	Adult
	%	%	%	%	%	%
Managers & administration	1.94	19.12	2.76	11.41	2.30	16.08
Professionals	1.50	11.19	0.19	8.67	0.92	10.40
Associate professionals	3.35	8.53	2.29	9.89	2.88	9.45
Clerical & secretarial	10.72	6.78	30.25	26.14	19.35	15.69
Craft & related	42.11	21.67	5.57	3.21	25.97	13.33
Personal & protective	7.12	6.25	24.61	14.78	14.85	9.85
Sales	10.24	5.14	19.18	11.32	14.19	7.21
Plant & machine operators	7.76	13.63	6.31	4.39	7.12	9.70
Other occupations	15.26	7.69	8.86	10.18	12.43	8.29
Total	269,589	13.831,171	213,338	11.396,113	482,933	23.964,044

Source: Labour Force Survey, 1993

Table 2.9 RCRs for young people not in education, by SOC

Occupational Order	Male	Female	Total
Managers & administrators	0.10	0.24	0.14
Professionals	0.13	0.02	0.09
Associate professionals	0.39	0.23	0.30
Clerical & secretarial	1.58	1.16	1.23
Craft & related	1.94	1.73	1.95
Personal & protective	1.14	1.66	1.51
Sales	1.99	1.69	1.97
Plant & machine operators	0.57	1.44	0.73
Other occupations	1.98	0.87	1.50
Total	1.00	1.00	1.00

Source: Labour Force Survey, 1993

2.4 Change in employers' skill strategy

As can be seen from the discussion above, changes in industrial and occupational structure are only part of the overall issue and we need to examine employers' changing skill strategies more closely. There are many influences at work here, many of which have been given titles, but are less than well understood: *eg* the flexible firm.

Recent work has examined employers' changing policies towards young workers (Thompson, Atkinson and Simkin, 1992). This was an exploratory study, based on 12 case studies of selected employers, aimed at mapping out some emerging themes in youth employment. This suggested that the traditional pattern of youth employment is changing, particularly amongst service organisations. The changing trends are shown below in Table 2.10.

Table 2.10 Changing pattern of youth employment

From: (traditional pattern)	**To:** (emerging pattern)
Mass recruitment of 16 year olds	Selective recruitment of 18 year olds
Simple selection criteria, based on educational attainment	Sophisticated recruitment determined by educational attainment and personal attributes (and increasingly competence)
Young people a feeder stock for **all** jobs	Young people a feeder stock for **specific** jobs
Participation in Government schemes for young people	Design own training and development programme to meet requirements
Low proportion of 'A' level recruits	Increase in number and proportion of 'A' level recruits
Focus on 16 and 18 year olds	Focus on graduate recruitment
Dependence on youth recruitment	Make use of other sources of supply

Source: Thompson, Atkinson and Simkin, 1993

Essentially, the new model which is emerging from this work is that employers are reducing their aggregate demand for young people, but raising the nature of their demand in terms of quality. In certain instances this is leading to a move away from the employment of 16 year olds and may even lead to a move to the increased use of graduates. This may be increasingly facilitated by the rapid increase in graduate output: this has been seen before for some specific professions.

These changes have arisen as a result of a number of pressures, but mainly can be put into two categories:

- internal changes, created by new technology, which allow decisions to be made about work organisation, particularly about the need for a more service-based culture;

- external pressures, creating a potential shortfall in supply of labour, such as the demographic downturn and increased staying-on rates at school.

Of particular interest here is the finding about employer involvement with YT because this may have some implications for involvement with Training Credits. This study points out that during the 1980s, many nationally based employers withdrew from YT because of a number of factors, including:

- the overheated labour market meant that employers found it increasingly difficult to attract candidates of adequate calibre
- the setting up of TECs and the local management of YT which followed, created administrative problems for employers with centrally based youth policies
- organisations moved to setting up their own training programmes for young people in an effort to train to their own requirements.

This finding does not sit easily with the result from Section 2.4 above regarding the mass recruitment to part-time work of young people who are still in education. However, we should note that Thompson *et al.* were focusing on employers' permanent skill strategies and that part-time employees were not part of this. This mass part-time recruitment is also predominantly located in the distribution sector and again, this sector is relatively under-represented in the Thompson study. The finding of mass recruitment of part-time workers does fit easily with the notion that employers are increasingly seeking to employ a 'flexible' workforce. Part-time workers who are still in education (and thus not seeking a permanent, full-time job) sit easily with this development.

2.5 Employer interaction with youth and the labour market

Recruitment of young people

Recruitment patterns will, of course, vary with the type of organisation (see Atkinson *et al.*, 1994, for a typology) and the level of the job. However, for young people, the methods of filling a vacancy appear to be fairly standard. Hedges (1983) found that three methods in particular were popular: local press, the Jobcentre and 'informal methods', which included personal contacts with the employer or other employees, and internal applications. Ashton and Maguire (1982) found that five methods of recruiting were popular: local press advertising, the Careers Office, direct applications, word of mouth and the Jobcentre. Findings from Spilsbury, Everett and Simkin (1994) are similar, with two thirds using Careers Offices, two-fifths local press, and a third using local notice boards or direct application respectively. About a fifth relied on YT for filling places. It should be noted that in these cases, the managing agent had an important role to play in testing the recruits in the first instance, before presenting them to the host employer.

In the vast majority of cases for jobs at this level there are not any specific qualifications required (Ashton and Maguire, Spilsbury *et al.*, *op cit.*). Where qualifications are required, it tends to be in the manufacturing or engineering sector, where the young people are entrants onto an apprenticeship scheme. However, employers who do not use formal qualifications generally seek other qualities. The usual non-academic criteria used can generally be split into four main personality factors:

- **self-presentation:** cleanliness, smartness, punctuality and manners
- **attitude to work:** motivation and a willingness to work hard
- **interest in the job:** applicants are expected (particularly for apprenticeships) to have demonstrated a positive interest by their hobbies and out-of-school activities
- **family background:** usually important for jobs requiring lengthy training, where employers are looking for stability and commitment.

With the increase in importance in customer service in the service sector, there is an increasing emphasis on the nature of personality and appearance.

Satisfaction with school leaver quality

There are frequently reports of general employer dissatisfaction with the quality of school leaver recruits. For example, *Training Trends* (1994) reports that there is no great confidence in the ability of schools, universities and colleges, or youth training schemes to prepare young people for the world of work.

Table 2.11 Performance of the educational system in preparing young people for work

	Very well/ well	Neither well nor badly	Badly/ very badly
Schools	19	38	36
Universities & colleges	29	47	20
Youth Training Scheme	33	31	20

Source: Training Trends, 1994

This is certainly what may be termed the view of the popular press: that there are high numbers of illiterate, inarticulate, innumerate young people emerging onto the labour market. However, more in-depth work (Spilsbury *et al.*, 1994) has found much lower levels of dissatisfaction with the performance of school leavers: indeed 78 per cent of employers were satisfied or more than satisfied with the performance of their school leavers, both in general terms and in terms of individual and defined work skills.

The disparity may lie in the general area of perception. Employers recruit those young people whom they see as being of suitable standard: in times of recession, the majority of employers have no problems finding sufficient numbers of recruits. The negatives are expressed about those individuals who failed to get a position: it may be that the views expressed to surveys asking 'what do you think of the standards of school leavers?' are being swayed by the views of the minority they reject.

Training of school leavers

When young people enter the labour market they face a wide variety of training experiences. A rough hierarchy exists, stretching from formal apprenticeships through course-based training and limited on-the-job training experiences only, to no form of training at all. Access to these levels of training is determined by personal characteristics (such as sex, or parental characteristics), attitudes to education, and training and qualification attainment levels. Within this training system we also know that proportionately more young people get trained and that they tend to receive more training per person than any other age group.

Certainly, the training and development of young people is seen as an important issue for employers. *Training Trends* (1994) asked whether the training and development of young people would become more important over the next year, and over the next two to three years. In the short term (next year), whilst few think that it will become less important, the same proportions believe that it will become more important and retain its current importance. Over the longer term (and presumably as the recession comes to an end) the proportion feeling that it will become of more importance increases.

Table 2.12 Changing importance of training of young people

	More/much more important	Retain current importance	Less/much less important
Over the next year	44	44	8
Over the next 2-3 years	57	28	7

Source: Training Trends, 1994

2.6 School leavers with special needs

SOLOTEC has a special interest in securing employment for those young people with special needs. There are, of course, different definitions of special training needs, but Meager and Honey (1993) define people with special needs (or special training needs) as:

> 'those who require significant extra or specialised training and support beyond that normally needed to gain access to and benefit from training or work'.

Riddell, Ward and Thomson (1993) discuss the significance of employment as a goal for young people with recorded special educational needs, exploring perceptions of the importance of employment held by young people and their parents. They found that with the exception of some of the most severely disabled individuals, young people and their parents had set their sights on employment as a target which represented an achievement of adult status: even to the extent of some arguing that full human rights cannot be enjoyed in the absence of paid employment. However, employment prospects have never been particularly good and may have deteriorated since the mid-1970s: this group are likely to experience particular problems in attaining paid employment. Honey, Meager and Williams (1993) examined employers' attitudes towards disabled people, examining employers' policies, the extent of that recruitment, what they feel able to do (and why) and what kinds of help employers need if they are to do more in this area. In terms of employment policies:

- less than half of the employers in the survey had a policy on employing disabled people (with only a quarter saying they had a written policy). The larger the organisation the more likely a policy was to exist.
- those with such a policy tended to see disability as an equal opportunities issue and integrated the employment of people with disabilities into their more general equal opportunities policies
- the implementation of any equal opportunities policy depends upon monitoring. In this survey, monitoring processes varied according to the size of the organisation: the smaller the company the more *ad hoc*.

In terms of recruitment of people with disabilities:

- about half responded that they employed people with disabilities. Again, size was an important factor, with the likelihood of employment of disabled people increasing consistently with size of employer.
- despite the existence of a quota since 1946, it is only a small percentage of organisations that meet the three per cent level for registered disabled employees. Only one in five organisations said that they were actively seeking to recruit people with disabilities.

The study looked at the benefits as seen by employers associated with the employment of people with disabilities, and also at any problems and difficulties. The perceived advantages of employing people with disabilities (recognised by about 29 per cent of the sample) were essentially two, namely:

- the higher motivation and dedication of the individual disabled employee, and
- the enhanced image of the organisation to both other employees and customers.

The most common *perceived* disadvantage (cited by 56 per cent of respondents) was reservation on the ability of the disabled person to actually do the job and the lower level of productivity. Extra costs were rarely seen as a disadvantage. Amongst those who actually were employing disabled individuals (and thus were able to report the *actual* disadvantages), inability to do the job and lower productivity were also mentioned, followed by attitude and temperament problems, and mobility problems. There are two points to note. Firstly, the nature of the difficulty depended on the nature of the disability. Secondly (and perhaps most importantly), only 26 per cent of those who employ disabled people actually report the existence of any problems at all.

About a third of employers responding to this survey had undertaken actions as a result of employing people with disabilities, in order to make it feasible or safe for them to do their job, or to improve their productivity. However, it should be noted that amongst those who do employ disabled people about half had made no changes: *ie* in about half of the cases employment of disabled people could take place with no changes being necessary. The most common types of action were 'physical', involving the provision of special equipment or the modification of premises. Only a minority (17 per cent) of those employers who had not made any change said that they had considered and rejected a specific action.

Employers were asked about the extent to which they had relied upon external assistance or support, in relation to employing people with disabilities, and their views on any additional support they might require. Key points are:

- Less than a third of respondents had sought external assistance (surprisingly low given the long-standing provision of such support and advice via the Employment Service and the voluntary sector). The main sources of help used were the Employment Department organisations, with nearly 80 per cent using Employment Service provision.
- The main source of assistance was advice and information (about 80 per cent of those seeking assistance got this). Practical and financial help was provided about half as often as advice and information.
- Only a small minority reported that there was additional assistance which they would find helpful. Of those who did report possible new sources of help, the largest single category was increased financial assistance (including wage subsidies, grants to cover equipment and physical modifications). However, a minority saw a need for the public services to play a greater co-ordinating role: a problem for employers who want to recruit disabled individuals is one of accessing the pool of inactive or unemployed disabled labour.

The success of schemes of this nature has been limited. The Disabled Working Allowance was introduced in April 1992 as an in-work benefit which aims to encourage people receiving disability benefits to take low paid or part-time work without immediately removing their underlying right to such benefits. Despite a publicity campaign, take up has been low, at just under 35,000 claims in 18 months against projected claims of 150,000 claims per year. Evidence suggests (see *Working Brief*, January 1994, for a discussion) that the complexities in applying for the allowance are discouraging people from claiming.

2.7 Changing participation rates

Traditionally, young people aged 16 to 18 have been one of the largest sources of labour market entrants. Throughout the 1980s, employers could pick whom they wanted from the new entrants, as the baby boom of the mid 1960s led to a rising population of those of school leaving age. However, since 1982/83 the number in the age group 16 to 18 has been on a declining trend, which reached a trough in 1992/93 and will recover through to the end of the century.

Table 2.13 Population of young people aged 15

(000's)

Year	Young men	Young women	Young people
1980-81	478	452	930
1982-83	460	433	893
1984-85	442	419	862
1986-87	435	413	848
1988-89	381	359	740
1990-91	344	325	669
1992-93	321	301	622
1994-95	359	338	697
1996-97	365	345	709
1998-99	360	340	701
2000-01	374	354	728

Source: DFE Bulletin, 1993

At the same time as this declining population, there has also been an increase in the proportion of young people staying on in full-time education. The staying-on rate increased from 45 per cent in the mid 1980s, to 57 per cent in 1989/90, and is expected to be nearly two thirds of young people by the mid 1990s. Of course, the staying on rate is affected by a number of other factors (particularly social class) and so we will see variations in staying on rates in different areas. In the SOLOTEC area, staying on rates are above the national average, but do differ within the area. However, all show an upward trend.

Table 2.14 Staying on rates within SOLOTEC

	Bexley		Bromley		Croydon		Sutton	
	16	**17**	**16**	**17**	**16**	**17**	**16**	**17**
1988-89	62	45	67	45	65	49	75	59
1989-90	69	48	66	50	67	56	79	65
1990-91	71	50	72	53	73	58	82	65
1991-92	78	57	79	61	81	68	93	71

Source: DFE Statistical Bulletin, Issue 12, May 1993

If we examine the percentage of 16 to 19 years olds who are in full-time education in South London compared to other areas, we can see that it is above the average.

Table 2.15 Full-time education participation rates of 16 to 19 year olds

	Participation rate (%)
SOLOTEC	60.8
London	58.1
Great Britain	51.1

Source: DFE Statistical Bulletin, Issue 12, May 1993

Evidence from the Youth Cohort Study gives further insight into these trends (see Gray *et al.*, 1994), suggesting that:

- The single most important factor driving the decision to stay on is the level of qualification achieved at age 16. Put simply, well qualified young people stay on, whilst poorly qualified ones leave. However, the staying on rates for the better qualified is reaching saturation point and if there are to be further increases in the proportions staying on, then these will have to be generated amongst the average and less qualified groups.
- The traditionally held (and intuitive) relationship between staying-on rates and unemployment may have weakened. The changes to the educational system (National Curriculum and GNVQs) may have broken the ingrained habit amongst young people of leaving school at the minimum leaving age.

2.8 The role of Training Credits in the youth labour market

Training Credits

Launched in 1991, the Training Credits (now also known as Youth Credits) initiative has sought to address and change both demand and supply of training and employment for young people. The specific aims of Training Credits as given in the Employment Department's 1992 progress report are:

- to motivate the individual to train and to train to higher standards
- to encourage employers to invest in training
- to establish an efficient market in training.

All in all, the initiative aimed to improve the skills of young people in the workforce, to benefit both the individuals and the employer, as young people:

- improve their own prospects in the labour market
- make a better contribution to improving the economic performance of their employers.

In addition to these national aims, individual TECs identified local aims and objectives. Those in the SOLOTEC area were to:

- raise the level of vocational achievement of all those entering the labour market from school
- make more training opportunities available for 16 to 17 year old labour market entrants, with the ultimate objective of making such opportunities for properly designed, flexible training available to all young labour market entrants
- improve the quality of both on-the-job and off-the-job training for young people by bringing it fully within the ATO/NVQ framework and by allowing informed customer choice to create a training market
- increase the commitment of employers to training and development
- increase the numbers of young people going into jobs with relevant vocational training.

The underlying theory behind this approach is that young people should be encouraged to take responsibility for their own training and development by giving them the means to purchase their own training and development most suitable to their own needs.

The operation of training credits stipulates an appropriate process to be followed, such that:

- Before they leave school young people will have been encouraged to want to continue training.

- Young people will have received counselling with a Careers Adviser and will have agreed and drawn up an Action Plan.
- This Action Plan will be converted into a Training Plan by an ATO, after which the young person will be issued a Training Account Options Card.
- The young person will either find an employer who will offer work with training or use a managing agent (contracted to SOLOTEC) to organise the training and arrange work placements.

Training Credits in the SOLOTEC area are similar to most other schemes in other TEC areas, with two exceptions:

- SOLOTEC uses a brand name 'Training Account'
- SOLOTEC uses a smart card to record training entitlements and subsequent training achievements.

Performance of Training Credits

Training Credits have been evaluated both national and locally within the SOLOTEC area. The results of these evaluations show that the Training Credits programme is falling some way short of its original objectives.

The national evaluation (NFER, 1993) shows that whilst Training Credits were having a positive impact on the young people involved, the impact on employers and training providers was less marked. Thus for young people:

- Most welcomed enhanced careers education and guidance (an integral part of the Training Credits approach) and appreciated the additional resources generated by Training Credits to enhance career guidance provision.
- In principal, Action Planning was thought to be useful in helping young people map out their post-16 objectives. In practice, there was less consensus about the content and use, with young people being hesitant about using Action Plans in interviews and there often not being a link between the Action plan and the Training Plan.
- Awareness of Training Credits was 'reasonable'.
- There was a high awareness of the importance of training and qualifications. Furthermore, a majority of Credit users thought that the initiative had been an inducement to follow local training and employment routes.

The less marked impact on employers and training providers noted that:

- Training Credits had not greatly affected the volume and variety of training provided for young people, either by employers or training providers. There was some evidence that the quality of training had improved.

- The majority reported that Training Credits had had no impact on the level of spend on training.
- Most training providers did not believe that Training Credits had made employers' attitudes to training more positive. Training Credits had not impacted on employers' recruitment of young people, nor had it encouraged them to invest more in training.
- There was little concrete evidence that they had yet created an efficient training market in terms of widening young people's choice of training or increasing their ability to shop around for the best opportunities.

These national findings were mirrored at the local level in research undertaken for SOLOTEC (IFF, 1993). The findings indicated that:

- Awareness of Training Accounts by employers is low. Of employers with Training Account trainees (*ie* involved with Training Account) only a minority could identify with Training Accounts. None could spontaneously identify Training Accounts as paying for, or contributing to the cost of, the training of the young people they had recruited. Of not-involved employers, only a minority had heard of Training Account.
- Unprompted testing of the understanding of the concepts behind Training Account showed that they were only poorly understood by users and non-users.
- Prompted understanding and attitude (*ie* after employers were given a description of Training Account) were muted. A minority of employers were positive, more common was qualified approval among employers who knew little of the initiative. Doubting views amongst users were that:
    - this was an additional scheme, of which there are already too many
    - disbelief that young people will be empowered
    - a general view that it is a gimmick
    - satisfaction with previous systems of training support for young people, notably YT.
- Employers were generally positive (particular users) about the way Training Account would fit in with current practices in the workplace.

This negative view of employer involvement with Training Account is confirmed by further work commissioned by SOLOTEC (SWA, 1993). This points out that the strengthening of employer involvement has proved particularly challenging, and particularly notes two reasons why this may be so:

- The impact of the recession has led companies with substantial liabilities and slim order books to withdraw from involvement with training initiatives.
- Employers are shielded from direct participation (thus also from awareness and understanding) by managing agents, in order to

protect employers from the more bureaucratic aspects of the scheme.

Possible changes to Training Credits

As a result of these negative reports on the operation of Training Credits there are a number of options being floated regarding changes to the system to improve its effectiveness. SWA (*op cit.*) make a number of suggestions aimed at improving/strengthening employer involvement. These include:

- stimulating new demand from employers by publicising the nature of the grant aid available directly to employers
- shifting to a direct contracting model, whereby the TEC contracts directly with employers and not via managing agents as the principle route
- creating new incentives via a more aggressive promoting of the Training Credits message and by altering the level of the cash incentive
- offering a 'customised support package' to support employers in their involvement with Training Credits. This would involve a sales team to respond quickly to initial inquiries, and a raft of quality support services to provide on-going help.

In addition to this SOLOTEC work, there has also been development work on the harmonisation of Youth Credits across London. The London TECs became concerned that the piecemeal development of nine potentially different Credit schemes might frustrate the aims of the Credit initiative. There is a known flow of economically active young people across London TEC boundaries, which could lead to confusion and bureaucratic complications.

The report on the harmonisation working party notes two main findings:

- That some participants (notably national employers and training providers) would find participation more straightforward if there was a complete national framework of rules and practice. However, such employers and providers are to be assisted via new arrangements made by the National Training Partnership, although these have yet to be evaluated.
- Any benefits of such a change would have to be evaluated in the light of the successful policy which allows TECs to create their own Credit models within broad objectives. There are labour market conditions where it is sensible for TECs to take their own decisions.

Because of this, it is anticipated that changes made to Training Credits as a result of harmonisation will be small.

2.9 Summary

The youth labour market is one that has notable distinctions, in that youth employment is primarily located in a relatively few industrial and occupational segments. About a third of young males who are in the labour market work in distribution (almost twice the rate that would be expected given the adult employment patterns), with a further 15 per cent in construction. The employment patterns of young females more closely reflect those of adult females, with about a third of those in employment working in distribution, and another third in other services. In terms of occupations, 42 per cent of young males work in craft and related occupations: a third of young females work in clerical and related jobs, a quarter in personal services and a further 20 per cent in selling. For both young males and young females there is almost a total exclusion from the higher level (professional) occupations, which leads to over-representation of young people in the other occupational orders.

Given this concentration of young people in a few sectors, employment prospects are therefore particularly susceptible to industrial and occupational shifts. The changing industrial structure has adversely affected the employment of both young males and females, but a greater impact has been made by employers changing their skill supply strategies. Employers are moving away from a model where they employ large numbers of young people to one in which they have reduced their aggregate demand for young people, but have raised the quality requirements. This has lead to some employers focusing their demand on older school leavers, if they remain interested in school leavers at all.

This declining demand for school leavers has developed at the same time (and the extent of interactions is almost impossible to divine) as a decline in the number of school leavers wishing to enter the labour market. The fall in the absolute numbers of young people has been well documented, but at the same time there has been an increase in the education participation rate beyond the age of 16. As a result, the number of young people available to start work has dropped by about a half over the period 1980-81 to 1992-93.

Training Credits was launched to improve the employment and training of young people. However, the performance of Training Credits (both nationally and in the SOLOTEC area) has not met with original hopes. Awareness of Training Credits amongst employers is low, as is subsequent involvement. Whilst Training Credits appears to be having a positive impact on the young people, there is no discernible impact on either employers or training providers.

A group of young people who are of particular interest to SOLOTEC are those with special needs. Gaining employment is seen as important to such individuals as it is seen as an achievement which signifies the attainment of adult status. However, employment prospects for people with special needs have never been particularly good, and may have deteriorated over the last few years. Success of initiatives to encourage employment of people with special needs have been limited.

3. Evidence from the Case Studies

3.1 Introduction

This chapter reports the outcome of interviews with 36 employers in the SOLOTEC area. The sample was structured to collect information on a wide range of different types of activity and across all sizes of workplace. Information was collected at a workplace or establishment, rather than a company level, to be relevant to the local labour market. The focus of the interview was the employment of young people (16 to 18 year olds) and the role of Youth Credits. However, much additional information was collected on employers' recruitment and training practices more generally, so that the position of young people could be put into context.

3.2 The sample — background

The 36 interviews covered a range of different industrial sectors, including the public and private sectors, and manufacturing and service activities. Agriculture was not included in the survey.

The largest employers were in the public sector: a local authority and a hospital. The vast majority had under 50 employees and many were small firms with only the one site. This reflects the predominance of small businesses in the SOLOTEC area. Nevertheless, a range of larger private sector employers were interviewed, including a plastics manufacturer, a cleaning company, an aviation company, an electrical and mechanical engineering contractor for the building trade, and an insurance company.

The occupational structure varied across respondents. In summary, we interviewed in workplaces which had a large proportion of highly skilled non-manual and professional jobs, several with a predominantly unskilled workforce and those with a skilled manual workforce. All also employed managers and some clerical or administrative support. These had however, frequently been reduced to a minimum.

3.3 Recent economic experience

Recent economic experience varied greatly across the sample. A few were in severe difficulties and only just managing to survive. Some had introduced new products or were bidding for work as low as possible to increase their share of the market. No one we interviewed was untouched by the current economic climate, and this was having a major impact, particularly on their recruitment activities.

In 12 workplaces, employment levels were reported to have increased over the past two years. In 15, there had been a reduction and in nine, no change. A variety of factors explain these changes. The main cause of a decline in employment was the poor economic climate. However, it was not simply that work was falling and redundancies were occurring, or that leavers were not being replaced to cope with this lowered demand. Changes in technology, working practices and organisation, and in competitive pressures, have caused many businesses to alter the way they work and reduce the number of people seen as necessary to do the work. These changes would have occurred anyway, but the recession has in many cases speeded their adoption as companies struggle to compete. The cleaning company, for example, reported that they had to fight hard to maintain their business. They competed on quality, 'we have set the standards for a long time', and in the last three years have also led in the way they recruit. This does not mean that price is unimportant: quality is wanted cheaply. Productivity has increased in many companies and more is being done with fewer people.

Changes in technology and organisational practices have had a major impact on the size of workforces and the nature of people employed. This will be explored further below. The individual effects of some of these changes have been small, but together they add up to a lot. A publishing company, for example, had introduced direct line telephones for all employees and done away with a receptionist/ telephonist post. A computer services company used to be the IT department of a large corporation. It has now been set up as a separate company, as have many other departments, and has to compete for IT work with external contractors as well as meeting budgetary constraints set by the parent company. As a result, costs have had to be cut and everyone has had to do more, become 'almost multi-skilled'. In addition, many basic jobs have been lost, for example, in the post room and accounts department. Many large companies and public sector organisations no longer directly employ people to provide basic service activities which are not central to their main business. A number of contracting companies were included in the sample. They were always endeavouring to keep costs down and quality up.

3.4 The employment of young people

Very few 16 to 18 year olds were employed in the workplaces interviewed. Twenty one did not have any employees in this age group at the time of the interview, although three of these did employ young people who were still in education as Saturday, holiday and/or evening workers. Fifteen workplaces did have some young employees. They mostly had one, at the most three such employees. The employers and non-employers of young people were spread across a range of different industries. Several manufacturing and construction, or related workplaces had apprentices. Service providers employed young people in a variety of non-manual jobs.

A variety of reasons help to explain the relatively low level of demand for young people. These are explored in turn below.

3.4.1 Economic climate

Young people have particularly suffered from the poor economic climate. Many respondents reported that labour turnover was very low. This was a fairly permanent feature of a number of the smallest companies. If an employee fitted, they tended to stay for years, and many current employees fell into this category. However, high levels of unemployment and a general shortage of alternative jobs in recent years have created low levels of turnover across many industries and jobs. In addition, several employers were trying to cope with excess staff who were almost always given preference when any vacancies did appear.

One company normally took on 12 trainees in different trades, including electrical, heating and plumbing. They had not done so for the last two years. Owing to the recession they were laying people off and it did not seem right that they should be taking on young trainees at the same time. There was also the practical problem of offering them real work placements as part of their training, at a time when there was not enough work around.

These employers generally had nothing against young people and were frequently concerned that they could not offer appropriate jobs. An upturn in the economy and an increase in recruitment activity will help to improve the position of young people, but due to other factors at work it is unlikely to have as large an impact as in the past.

3.4.2 Change in work organisation and practices

The effect of the economic climate and the associated pressures on costs has been heightened by more general changes in work organisation and practices. Therefore, the influence of these is likely to be longer lasting, continuing to have an influence as the economy improves. As jobs have become available, managers have sought experienced employees who can become productive almost immediately: 'so few people to do a lot, we need people who can come in and get on with it'.

Fewer junior jobs

'We don't have the role for them' typified the response to a question about why young people were not, or were no longer employed. Less skilled and junior posts have almost disappeared. In many companies, these jobs have been taken over by technologies or their activities subsumed into other higher level jobs. In the hospital, the personnel officer used to take on junior clerical assistants who could move up through the organisation. Now it is more likely that people will be brought in at the level needed, rather than developed within the organisation. Not all organisations have totally done away with recruiting young people at the bottom and training them for more senior positions, but the number of opportunities for this have declined. For example, a distributor of computer aided design software recruits young people as 'general dogsbodies', assistant to a sales team, when possible. After a while they are allowed to broaden their experience through being given a 'patch' of their own.

The importance of customer service

A growing emphasis on customer service has also worked against young people. They are not seen as mature enough or as able to put over the right image, or they simply do not have the depth of knowledge necessary. A fashion shop did actively seek to take on young people but had not recruited for sometime. However, 16 to 18 year olds were in competition with other age groups for these jobs. Although suited to the market segment of 'young trendies', young people were not automatically recruited: 'age is not a factor, just want the right person for the job'.

3.4.3 Jobs unsuited to young people

Many jobs are seen as unsuitable for young people. This has always been the case to some extent. For example, those dealing with certain noxious substances, heavy loads, *etc*. However, the proportion of such jobs seems to be increasing. The contract cleaning company only took young people who were still in education for holiday work, to do special projects. Most of their work was for large financial institutions who, for security reasons would only allow over 18 year olds in to do the cleaning. Special projects, for example, cleaning and checking computer tapes, were suited to those still in education — usually the brighter young people that this work required, and they were always fully supervised.

The hospital had under gone considerable reorganisation as has all the NHS. This particular site provided community services, largely in the field of mental health. Cost pressures have meant that many basic jobs have been lost, for example, the canteen was closed recently. The change from hospitalisation to care in the community has also meant that the nature of jobs, and hence the type of person needed to do them has changed. Ancillary ward jobs have almost disappeared, or require too much responsibility to be given to an inexperienced young person. Caring for the mentally handicapped in the community requires experience and maturity. Considerable knowledge on many practical issues is also needed, for example, knowledge of recent legislation and social security benefits.

3.4.4 The quality of young people

Complaints about the quality of young people are not new. Throughout this century, reports on and enquiries into youth labour markets have included such criticisms. Most employers we spoke to were fairly favourable towards young people, but there was a group who had such negative attitudes they did not want any in their workforce. Many of these employed relatively low skilled workers, and were not looking for highly skilled employees or likely to take on trainees. One respondent was particularly vocal on the subject: young people are 'very, very unreliable' and 'poorly educated'. He only recruited 'maturer ladies' who suited the packing work required by the company. 'From a cold business point of view, I prefer maturer women, who have no family responsibilities, are reliable, fit in and do the work well'. Others looking for low skilled workers also commented that young people are 'just lazy'; 'we had one young lad who did nothing but yawn'. They preferred to recruit older people who had settled down, had responsibilities and were prepared to work. Appearance and presentation were often commented on, and young people frequently do not match up to the specified requirements. A few bad experiences in looking for or recruiting young people had made a strong impression on certain employers, and having settled on another age group, it is unlikely that their views will change.

The literacy and numeracy of 16 year old school leavers received particular criticism. 'Lots of people's standard is appalling. They can't put a letter together to save their lives'. A letter of application which was untidily put together, poorly expressed and badly spelt quickly puts many employers off, even if the job applied for does not require a high level of literacy.

3.4.5 People with special needs

Young people with special needs were definitely at the end of the queue. Employers are generally positive about employing those with a physical disability. Although none had actually done so, several had older employees who were disabled in some way. Many jobs would not be suitable for those with many types of disability, but most respondents had no such employees because no one had ever applied. In some ways, it was hypothetical to ask if they would be prepared to recruit a physically disabled person. The usual answer was that it was who the person was and whether they could do the job that mattered. However many buildings had areas which were not easily accessible, or had no lift and might require considerable adaptation depending on the nature of the disability.

Furthermore, the health and safety requirements of some jobs and workplaces tended to preclude some people. For example, the cleaning company had employees working in areas where, if a fire broke out, there were literally only seconds to get out before oxygen was withdrawn to smother the fire. They therefore had to be able-bodied enough to react quickly and have strong enough hearing to hear the alarm.

We usually had to probe to discover attitudes towards young people with learning difficulties, and responses were generally negative. Almost without exception, jobs require literacy and, frequently, numeracy as well. Basic packing jobs, for example, require order forms to be read and sometimes delivery notes to be filled in. As staffing levels have been cut and everyone is required to take on more responsibility and technologies have advanced, many of the jobs that could be done with little if any educational ability have disappeared.

The increase in the proportion of young people staying in full-time education beyond the age of 16 has probably exacerbated the extent to which employers have negative attitudes towards this age group. An increasing proportion of young people seeking work at 16 will fall into the category of those who have a learning difficulty, have truanted from school or who have some other personal problems. Those who are not will be snapped up by the 'best employers' and it is usually known who these are in an area. Those employers who provide the least popular jobs or who are less well known are therefore likely to receive a greater proportion of applications from the least able young people, colouring their views about the age group.

3.4.6 Workplace size

A factor in the employment of young people which overlaps with many of the comments made above, but which deserves emphasis on its own, is the size of workplaces and the balance of employees within them. Many employers interviewed for this study were small. They offered few opportunities for the young and inexperienced. Some did occasionally take on trainees or apprentices as the pressures of work allowed. However, most felt they were too small to do so. There is a critical size below which it appears to be difficult to carry such employees. What exactly this critical size is not clear, and it seems to vary between industries, or even companies within the same industry. The respondent for a consultancy thought they might be able to train inexperienced people if they grew further (the costs and risks of training in this activity did seem to be particularly high), but it was not clear what size they had to achieve.

3.5 Recruitment activities

Despite the prevailing economic climate, a surprising amount of recruitment had taken place during the past year. Twenty-six workplaces in the sample had taken someone on, and several were recruiting quite extensively. Young people had a small share of this, only eight workplaces had recruited any from this age group.

A certain amount of recruitment was to replace those who had left. If people with key skills leave a workplace, even when times are hard, they frequently have to be replaced. Many establishments have cut back so much that they cannot afford to lose any more posts. The contract cleaning company had such a high turnover of cleaners that it was constantly recruiting simply to keep going.

Some recruitment was part of a general restructuring taking place in many companies. A change in the nature of an operation frequently means that new skills and types of people are required. The introduction of sales and marketing sections was most common. The computer services company, which had previously been the IT department of a larger company, was having to compete for the work it used to receive automatically, and also compete for work from other companies. To facilitate this, a sales and marketing capacity was being developed and this had necessitated recruiting new staff with expertise in these areas.

3.5.1 Methods of recruitment

Local newspapers were the most commonly mentioned method of notifying vacancies. Many employers also maintain a file of people who have written in enquiring about jobs. Sometimes an advert brings forward so many responses that it was easier to rely on personal contacts and general enquirers. When seeking people with particular types of skills or experience, specialist agencies or journals were used. Several companies had developed good relationships with agencies who knew the type of person they were looking for, and took over most of the hard work of screening large numbers of applications. If the types of person were particularly hard to find these agencies would keep a general watch for such people and send them around as they appeared.

For some very specialist jobs, there is a relatively small pool of potential recruits and word of mouth was the main way of recruiting. Employees frequently know of someone who was not happy with their current employer and could be easily tempted to move.

3.5.2 Whether to recruit a young person or not?

With a few respondents it was possible to explore in some depth how they decided whether or not to recruit a young person. Sometimes this was linked to the decision to recruit, sometimes it was independent of this. A number of factors intertwine to determine whether a young person will be taken on or not. The state of the market and the amount of work around are obviously very important, as is the amount of slack within the existing workforce. The balance of experience amongst existing workers also played a role; would it be possible to carry a young trainee, or inexperienced person within this? For example, the supplier of computer aided design software distinguishes clearly between jobs for young people and those for adults. All young people enter at a junior level. The majority of jobs are in sales and are for fully experienced staff, but when the workload allows them to fill a junior position, they enter the labour market. There was an awareness of the need to renew the skills base, and that never training could be a very short term view.

Several of the smaller organisations, especially in the construction and manufacturing sectors, do take on trainees or apprentices occasionally. The actual decision to do so will partly depend on the above, but often the catalyst was someone appropriate being available. This was rather an *ad hoc* occurrence. Rarely were such small companies consciously seeking a young recruit. One respondent was providing a work experience placement for a 16 year old school boy; if he turned out alright he might be offered a job — 'it's about time we took on a young person'. Several others had either made places for young relatives, or relatives of friends, or commented that they had been prepared to do so. It is possible that knowing a person, or something about their background, reduces some of the perceived risks of employing young people.

3.5.3 Fewer regular vacancies for young people

None of the workplaces were taking on young people regularly. Some of this can be attributed to the recession, and one was planning to resume its regular intake of apprentices once work picked up. However, this is also part of a general trend in youth labour markets which has been occurring over the past decade or so. 'Leaner and flatter' companies no longer have such a regular requirement to recruit juniors to many jobs and bring them up through the company. Furthermore, training has become more closely related to business needs and with the added impetus of cost pressures, larger companies are no longer training more young people than they need to skilled levels, as used to happen in the past. Indeed, one heating and ventilating engineering respondent commented that they used to take on the extra people that British Gas had trained. Now that British Gas are a privatised industry they no longer seem to train so many people.

A further change in youth recruitment is that very few jobs are now seen as primarily for school leavers. In the past, it was easier to identify distinct labour markets for school leavers. Many of the employers we spoke to who were taking on young people were not focusing on school leavers. Several apprenticeship schemes took 17 year olds who had been in college for a year. Other employers were looking at young people generally, 'the actual person is more important', and did not always distinguish whether they had been out of education for a while or were more recent school leavers.

3.5.4 The use of work experience

A number of the employers we spoke to had developed links with local schools and colleges, and some provided work experience places, either on a regular or an *ad hoc* basis. Many of the larger companies continued with this whether or not they felt able to recruit any young people. These employers were generally sympathetic to young people but were restricted by circumstances from offering them jobs. Sometimes offering work experience, even if only for a couple of weeks, caused difficulties and this reinforced the view that they could not carry or cope with inexperienced staff. Several managers who had been providing placements in clerical and office work, reported the time that had been taken in developing a programme, finding suitable work and supervising the young person. A contractor whose employees worked over a wide geographical area reported the logistical difficulties of getting a young person without personal transport to the necessary sites.

However, there were positive outcomes to work experience. Young people received a brief insight into what would be expected of them at work. Respondents felt this was worth doing, even when no jobs were available. In several of the smaller workplaces, having a young person on work experience enabled the manager to assess their suitability for a job. It might even act as a trigger to the recruitment of a trainee. The advantages of being able to assess a person's suitability before the final commitment of offering them a job was frequently commented on. Employers are not always prepared to take the risk of taking on an unknown quantity, especially when they are already working under pressure.

3.6 Characteristics looked for in potential recruits

3.6.1 Experience and qualifications

For some jobs qualifications have to be held as a prerequisite for recruitment to such posts. However, in general qualifications are not highly sought after by employers. When seeking to recruit people who can contribute to the business almost from the first day, previous experience is almost always more important than qualifications: 'above all, people who have experience'; 'a proven track record'. Sometimes if both are held, this is to a person's advantage, but most commonly it was the nature of a person's experience which was most important. If a person was recruited locally or within a small industry, the reputation of the company they had previously worked for was important.

For skilled manual jobs, the relevant trade skills were looked for. It was not always a single trade skill that was sought, increasingly flexibility and multi-disciplinary skills are in demand. In IT and for many clerical and administrative jobs, what a person has learnt from previous work experience was nearly always of equal, if not greater importance than qualifications. This emphasis on experience is at least in part due to the current economic climate and the extent to which businesses have cut back on staff. Changes in work organisation have also played a role.

The experience looked for might not be specific to a particular job or industry. For a number of jobs, general business experience is necessary. This might be to enable sales and marketing staff to discuss things in an informed manner with clients. Other jobs, and especially with the growth of out-sourcing and contracting, require knowledge of different business techniques and experience of working in a variety of environments.

Only one employer of skilled labour did not take on experienced people. He had trained three young people to do the work because experienced people are 'very set in their ways' and 'a lot pick up wrong habits'. Many recruiting to jobs requiring a minimum level of skill were less likely to be looking for experience, but if someone was available with any they were nearly always at an advantage. The cleaning company which had a very high turnover of employees looked at experience and job skills after they had checked the applicant's background. This included a police check, as almost all work was in financial institutions, and that they were entitled to work in this country.

Recruiting people with the appropriate experience was for the majority of respondents not a problem, especially in industrial sectors where there had been many closures and cutbacks. For example, a small airport was having no difficulty recruiting experienced air traffic controllers due to the numbers made redundant from recent airport closures. They had previously trained people up as necessary. But this is extremely costly, and they were taking advantage of the existing supply of skills on the market.

3.6.2 Personal characteristics

Qualifications and experience are rarely enough on their own. The employers we spoke to placed great emphasis on the personal characteristics of recruits. There were a number of aspects to this. First, the way people presented themselves at an interview. Dress was part of this, but also more general behaviour, for example, showing that they 'have something about them'. With a few exceptions, traditional attitudes persist and for the majority of jobs, young people as well are expected to turn up appropriately dressed, and boys without earrings. Showing an interest in the job is also important to many employers. For example, the hospital personnel manager expects people to go beyond just wanting a job. She looks for people who understand and have sympathy with a health care environment, and who will advocate for those with mental health and learning difficulties — the groups the particular trust cares for.

A second aspect is 'fitting in'. Employers have long looked for recruits who will fit into and get on with their existing workforce, but this seems to be taking on another dimension. The importance of team working and customer service were stressed by nearly all employers. When recruiting, they consider 'will the person fit into the team we have working here', and they 'try to get a feel as to whether they fit in'. Managers operating with small workforces which have often been cut as far as possible, can not afford to have any discordant elements disrupting the work flow. It was admitted that properly assessing this is not easy. One respondent reported that defining the right person was 'something you get a feel for'. Presentation and dress are a part of this, but it also depends on the personalities of existing employees.

Providing a high quality service to customers was a priority for the majority of our respondents. Competition has become fiercer as companies have reorganised, and out-sourcing has increased. Although price is still very important, quality is increasingly the way in which companies try to distinguish themselves from the competition. Becoming 'customer facing' was how one respondent described this. Recruits who were appropriate to the customers they would be dealing with were sought for many jobs. For example, the publishers of a marine journal wanted sales people who can 'hold a conversation with senior managers/directors' and sell advertising to them. Maturity and previous business experience were usually required for these types of job.

An additional quality which many employers emphasised was flexibility. This might not be expected of an inexperienced young recruit immediately, but in general employers were looking for recruits who would be prepared to take on or cover for a variety of jobs; 'people who can adapt and are flexible in their working practices'. Those in craft jobs were often expected to have skills beyond their immediate specialism. The IT company reported that they were so short staffed that most people have to be 'almost multi-skilled'. Another personnel manager reported that she looked for willingness; 'specifically willing to do any job, we are so small here that we need to be flexible'.

3.6.3 Young people

As many employers had not recently taken on any young people, it was sometimes difficult to discuss the criteria used for recruitment. Many of the personal characteristics outlined above were equally applicable to young people. Employers were looking for presentable, willing, hard working young people who could get on with others and 'fit in'. One respondent was looking for a 'normal person willing to work'. By this, he meant someone who dresses smartly and appropriately (much of the work is on clients' premises), can communicate, is willing to work hard and travel, and has good time discipline. There is really nothing new about this, except that as in recruitment generally, personal characteristics seem to becoming increasingly important. Long term potential and a desire to 'get on' was mentioned for many non-manual jobs and those for which a period of training was provided.

Qualifications did receive more emphasis when the recruitment of young people was talked about. GCSEs in English and Maths were particularly sought, but for the majority of jobs these were not always insisted on. Getting the right person was more important than academic qualifications alone, and many employers have developed different strategies for ensuring young recruits have the basic skills and abilities sought. For example, letters of application and CVs provide a useful first impression of basic writing and spelling abilities.

3.7 Recruitment difficulties

Thirteen of those recruiting had found some jobs difficult to fill over the past twelve months. Some of these difficulties were of a rather general nature, and the majority could not really be called skill shortages. A few were having difficulty finding people with particular skills, and frequently these skills were specific to a particular industry or even an industrial segment. Another group of difficulties were occurring because the work was unpopular or poorly paid, or because the workplace was difficult to get to. The largest group of difficulties fell into the general category of 'quality'.

Some skilled jobs, usually craft or technical jobs are relatively rare as there are few employers requiring such skills. The plastics manufacturer, for example, had some difficulty finding skilled employees. They did train apprentices, but once fully trained moulding technicians, for example, can become 'gypsies' around the industry, earning large amounts of money. This employer's location in South London and the adverse impact of house prices exacerbated the relatively low supply of skilled workers. However, once they could attract people, they did find that they settled in and were prepared to stay. Smaller companies reported suffering from the cutbacks in training by larger companies, who no longer train excess to their requirements. Certain medical professionals are in short supply. This appears to be because of recent changes in some training programmes and a high drop-out rate.

Some jobs are by their nature not very pleasant and recruitment to these may be difficult. The cleaning company did not have much difficulty recruiting, but in retaining people. This was partly the nature of the work, but also a function of the people who applied to do the work. One manufacturer was located on a remote industrial estate and had to rely on employees having their own transport. Since many were women, this sometimes caused difficulties in recruitment.

The largest group of difficulties related to the general quality of applicants. Several companies were reported to be operating at the upper end of the market, and getting good people was difficult. We 'can get plenty of reasonable people but not the best we want'. Another reported that 'getting the right calibre of people' was not always easy. By 'calibre' he meant people who will 'fit in' with the existing team, he could find the appropriate skills easily enough.

These complaints about quality broadly fall into two categories. The first is fairly general and links to the comments made earlier about the poor attitudes, *etc.* of young people. Although often relating to lower skilled and less attractive jobs, this was not always the case. The second category relates to the changing nature of work in many organisations. Team working, increased flexibility in the tasks covered and multi-skilling, for example, are now common in most organisations. They require different combinations of skills and put an increased emphasis on interpersonal skills. The growing importance on quality and customer service also contribute. Although highly skilled technically, a person might not easily be able to adjust to these new requirements. The IT supplier had difficulty finding systems programmers, who could take on the tasks of being managers, team leaders and motivators. Many programmers did not want to, or could not take on this side of the work.

The extent of difficulties was not severe. At the most they seemed to be causing some inconvenience. The most common way of dealing with any difficulties was to 'keep on trying'. Recruitment times were extended, but usually to several weeks rather than months. A small number of respondents reported that they had speeded up the training of those with potential, or that they were trying to bring more people on within the company.

3.8 Training

There was an impressive amount of training being provided in the sample workplaces. Only one respondent reported that they did no training at all. This was a very small leisure business. They used to train ground staff through YT, but now have no young people. People work on their own and if any learning is needed, it is done through experience.

In a further five workplaces, very little training had been provided. These were all very small. One manufacturer had not done any training in the past year, as all the employees knew their job and the work did not really need any particular skills or experience. In two other workplaces, basic induction and some on-the-job training had been provided. There were several reasons for this: some related to the nature of the jobs and others to the economic climate. Many of the jobs were reported to be of a rudimentary and basic level, requiring few skills and easily picked up: 'a lot of it is basic and commonsense'. The economic climate has meant that there is a ready supply of suitably trained labour available, and a lack of recruitment, especially of young people, has resulted in training not being needed. A lack of suitable training courses and cost were also mentioned as problems. However, the cost of training alone did not seem to be that important. Several respondents felt that there were no suitable courses available. This did not always mean that no training was provided. However, one employer did report that, if a more basic course in cable installation was available, he would provide more training. The only one currently available was seen as too advanced, too long (requiring four weeks off-the-job training) and too expensive. This raises the interesting issue of how much training is really needed for many jobs.

Although it was the smallest workplaces that were doing no or little training, many others of a similar size were providing much more. Training was rarely restricted to new recruits, and a considerable amount of the training effort was being put into existing employees.

3.8.1 Training for new recruits

In every workplace some training was being provided for new recruits (with the exception of the one mentioned above, who was doing nothing at all). At a minimum, this was a basic induction about the establishment and the company generally, an introduction to colleagues, *etc*. Health and safety was nearly always an important part of this.

Some induction programmes were more formally structured than others. For example, in one company, new recruits (young people and others) went through basic induction, a good office practice course and job-related courses covering, for example, negotiation skills and contract skills. Progress was recorded in an individual's log book and monitored by managers.

The nature of other training for new recruits varied widely depending on the job. Generally, when experienced new recruits were recruited, they were expected to be able to get on the job very quickly with only a basic induction. In a few workplaces, experienced recruits were 're-trained' in the company's own way of working. A consultancy, for example, reported that there is a lot of secrecy in the industry they work in and as payment is by results, each company has developed its own way of doing the work.

The training for inexperienced recruits depended on the nature of the job and the age of the person recruited. Many jobs can be learnt very quickly, including packing, cleaning and basic manufacturing jobs, and older people were frequently favoured for these. The cleaning company provided a simple induction programme through which people's true skills were established. Apparently many exaggerate their skills on the application form. Training on the job is then provided as appropriate, for example, in the use of particular pieces of equipment and in how to clean certain items.

Training for young people was usually more thorough and longer lasting. The few employers who had taken on apprentices were usually providing three or four years training, including an off-the-job element and leading to some sort of certification. The exact nature of the training depended on the type of skill. A plastics manufacturer, for example, made sure that his apprentices received training in all aspects of the job. If the company was unable to provide the necessary experience, arrangements were made and expenses paid for the young person to work elsewhere for a while. One was being sent to a factory in Manchester for the summer.

For some skilled jobs, the training was shorter and there was no off-the-job element or accreditation. The fibreglass manufacturer and flooring contractor provided all training on-the-job. Both reported that no suitable courses were available. They also reported operating at the quality end of the market and that they were particular about the training they did provide. Nearly all respondents reported providing training that was relevant to their business. Many small businesses do provide training for young people to a skilled level at times, but this is frequently on-the-job and only assessed by the reputation of the business.

As was mentioned earlier, several employers had cut back on their intake of apprentices due to the economic climate. This was only a temporary measure and the situation was being regularly re-assessed. It appears that training is given greater priority than used to be the case, and is not necessarily the first thing that goes when times get hard. The cost of training was referred to, but to many it was not a major deterrent. If suitably skilled and experienced labour is readily available on the external market, it is the most rational decision for a hard pressed employer to make use of this labour. More important deterrents included the costs of supervising a trainee, having inexperienced people slowing down the work and the logistics of fitting around clients. For example, one heating engineer reported that his engineers worked over a very wide area and, since a young person rarely had their own transport, transporting them to and from the site caused major problems. A contracting company reported that several of their clients did not want trainees on their job as they slowed down the work.

The economic climate is one influencing factor, but of major importance are the changes in work organisation which have occurred. As organisations have become 'leaner and fitter', they have less capacity to care and supervise trainees. Furthermore, as contracting out and out-sourcing become an increasingly important way of providing services, cost pressures will continue to be a major constraint on businesses. These pressures do not all mean that training will be the first thing to be cut, but they do mean that companies will be looking at all their activities more closely. Everything was becoming more closely and directly related to business needs.

For non-manual jobs, the training for inexperienced young people varied greatly. Although few young people had been taken on recently, other respondents were able to report how they normally trained this age group. There are several themes emerging from the interviews. Most of the training was on-the-job or in-house and unaccredited. Sometimes FE colleges were used, but more frequently short courses, for example, in computing skills, were used as required. To some extent, the length of training depended on the individual recruit. Employers were generally looking for young people who 'wanted to get on', and those who did were likely to find more opportunities for training open to them.

In the non-manual jobs, the degree of formalisation of the training varied. In a sales and marketing office for a major publication, every young person received a three months programme to learn the basics of the job and any further needs were identified from this. The further training might take place in-house or be provided by external trainers (for example, computing skills); some would be general and transferable and the rest specific to the company.

3.8.2 Training for existing employees

The majority of training being provided was for existing employees. This was largely because of the low levels of recruitment and turnover, and the changes in the nature of jobs and work organisation which are occurring. But there was evidence of an increased commitment to training, because of a number of different factors, which we have divided into eight broad groups:

- Rapid change in products and services, which requires that employees have to be kept up-to-date. For example, new types of floor cover and methods of laying them meant that all the employees of the flooring contractor had been sent on manufacturers' courses. A cleaning company used courses run by equipment and chemical suppliers to keep employees up-to-date on new products. In this case, not everyone would be sent but the information would be passed on. This was a common way of obtaining knowledge in relation to many things: a few people will go on a course and pass on the information to others when they return to work.
- An emphasis on quality. A number of the workplaces were going for BS5750 and had introduced quality assurance and audits as a part of this. This had sometimes required all employees to receive some training in the appropriate mechanisms. In others, employees had attended seminars and other training type events to increase their awareness of quality issues. An emphasis on customer service has accompanied this drive for quality, and courses were being run to make employees more aware of how

they should interact and deal with customers. This varied from courses in telephone and sales techniques to the introduction of a company culture which was constantly being reinforced. For example, one retail warehouse had a customer service awareness session each week.

- Technological change. In several companies, new computer systems had been introduced and almost everyone had been trained to work on them. In others, new software was being adopted or existing packages up-dated, again requiring training. In manufacturing, many basic jobs have become increasingly technical and require more training than in the past.
- Changes in work organisation were also stimulating a number of employers, particularly the larger employers, to train. Team working was mentioned as important and something that people needed help in. New methods of reward and appraisal were being introduced and requiring appraisers and appraisees to be trained.
- Health and safety training is an important part of induction for new recruits, but changes in the law, EC Directives and the need for up-dating mean that it also continues to be important for all employees. For example, in the hospital, everyone had to attend a fire lecture as a statutory requirement and the IT company reported having to train everyone on VDUs to meet an EC Directive. A small retail outlet mentioned the importance of the food hygiene legislation.
- The growth of contracting out has meant that more companies have had to acquire skills in tendering for contracts, managing contracts, sales and marketing. Some of these skills have been bought in but this was not always possible and people had to acquire the expertise internally. Furthermore, other employees in the company have had to be made aware of these changes and how they impact on them. In the IT company, nearly everyone had received training in sales awareness and 'how we work with' the sales and marketing team.
- Increasing importance of supervisory and management training. Britain is frequently criticised for the lack of training in this area but in the larger companies, managers and supervisors seemed to be receiving increasing attention. Several of our respondents were themselves attending part-time management courses, some leading to a formal qualification, others not. A cleaning company reported that supervisors and above were sent on various one to three day courses with the Industrial Society, for example, on handling staff. The hospital had developed its own management competencies which had been approved by the Civil Service College.
- Finally, there was also a certain amount of general developmental training in the larger companies. This varied greatly between workplaces and, although to some extent influenced by the economic climate, individual management attitudes appeared to play the major role. A few respondents reported that training was strictly linked to business objectives, and that people no longer had the freedom to attend almost any course they were interested in. However, in others there was more leeway, and employees

> were sent on courses which were of more relevance to their career generally (and not always in that company) than their current job. If 'you shout loud enough' you could usually get to do what you wanted.

Even more than the training for new recruits, this training for existing employees was rarely accredited in any way. A few employees were doing various management and specialist courses leading to a nationally recognised qualification, but these were exceptions. NVQs were mentioned and being introduced into a small number of workplaces, but they were not widespread. One company had found NVQs unable to keep up with developments within the company. They had introduced their own internal scheme which applied at all levels within the company and would be adapted to incorporate new developments. However, it was frequently enough for the company to know that the training was relevant and useful to their day to day activities. Transferability seemed to occur through gaining experience and training in a reputable company.

3.8.3 Recent changes in training provision

Only four respondents reported a reduction in the amount of training per employee over the past three years. Eighteen reported an increase while the rest felt training volumes had remained about the same.

One of those reducing the amount of training was partly influenced by cost, but the ready availability of fully trained and experienced people made redundant elsewhere was the main cause. If this supply of labour had not been available, they would probably be training at similar levels to a few years ago. The others were very small and reductions in training were (either directly or an indirectly) part of cost cutting activities. Some reductions in training were a consequence of not being able to take on any new employees or trainees.

The majority of workplaces were not cutting training as a result of economic difficulties. A construction company had increased the amount of training across all staff. The respondent reported that they had learnt from the mistakes of the last recession and recognised the importance of maintaining skill levels. Another respondent reported that training levels had remained unchanged in recent years, despite cutbacks in other activities of the organisation during that time.

The reasons for an increase in training were very similar to the explanations for any training being provided to existing employees. Training activities have been adjusted to meet increased competitive pressures, changing technologies, and new organisational structures and ways of working. For example, the distributor of computer aided design software wanted to grow. To do this they have to be better sellers, and they want their staff to appear articulate and confident. Training was necessary to achieve this. Another respondent commented that 'things have become much more technical in the last few years'. It no longer seems possible in many jobs to simply keep up with changes through experience. Some sort of training or instruction is nearly always necessary. Furthermore, as organisations have become tighter and people are expected to do more and/or a wider range of jobs, employees have had to become more highly skilled and flexible. Training has been an important means of achieving this.

Any change in training provision was nearly always affecting all employees within a workplace. There were a few exceptions: for example, at a cinema, training had increased at management levels, mainly due to the introduction of computer systems and increased attention to customer services. At the lower levels it was not felt worth providing much training at all (except to the cashiers).

Another feature of training provision in recent years has been a change in the type of training and the way it is provided. In many workplaces more attention is being paid to the structure of training, its relation to business needs and objectives, and individual employee needs. In several of the larger organisations major reviews of training provision had been instituted — sometimes for particular groups, sometimes for everyone. One company had just completed a review of the training of its sales force due to concerns about its effectiveness. As a result, sales employees will in future receive more structured training which is followed-up and assessed.

Making training more closely related to business needs has resulted in a number of organisations changing the nature of training and its method of delivery. There appears to be a movement towards more on-the-job training and short courses, as up-dating in computer technology and training in team working and customer care, for example, have become important. The local authority has moved away from training for qualifications and is placing increased emphasis on management and general skills. Departments are increasingly training to support their staff in new roles, including contract management and sub-contracting.

In general, training is becoming more tightly controlled and directed. One respondent described particularly clearly how in the past people just went on any courses they were interested in. Now all training has to be related to business needs. 'In some ways we spend less but get more for our money'.

The extent of change in and thinking about training provision amongst the sample was impressive. Although the comments above were fairly general, they do apply across a wide range of industrial sectors and employer size. The smallest employers were usually doing the least training, but even so a number of them had introduced fairly extensive changes in provision in recent years. It does however seem that much of the change (amongst all types of employer) was in the provision of training for existing employees. Although all new young recruits were receiving some training, it does not appear that provision has been markedly increased in recent years. This is exacerbated by the recession and general changes in work organisation.

This study can make no comment on the quality or effectiveness of training being provided in survey workplaces. However, there is no doubt that there has been an increase in commitment to training in recent years, despite (sometimes partly because of) the adverse economic climate. This finding is not restricted to a small minority of the sample and is backed up by other recent studies (Felstead and Green, 1992, and Dench, 1993). Expenditure on training is no longer seen as one of the first things to go in times of financial hardship.

3.8.4 Do employers think they do enough training?

Half (18) our respondents felt that they were able to provide enough training for their employees, 11 did not. However, this classification of responses in to 'do' and 'do not' hide a variety of shades of opinion. The interpretation of 'enough' was also not unproblematic and depended on how broad a view of training the respondent took.

Some of those reporting that enough training was done, were not requiring a high level of skill and hence did not see much training as necessary. Others qualified their answer. Under current economic constraints they felt enough was being done. In different circumstances or in an ideal world they might do more. 'There is never enough money, but we feel we do enough training . . . to meet our business objectives'; '. . . for the job the company does and the staff employed'; '. . . or sufficient to do the work involved'.

As illustrated above, training provision has increased in recent years. Although not complacent, many respondents were beginning to feel that they were getting it right. Providing the necessary amount of training is increasingly being seen as essential; 'we have to [provide enough], otherwise we wouldn't stay in business'.

Those who felt not enough was being provided 'broadly fell into two groups: those who were actively addressing training activities in their workplace and those who felt restricted by the current economic climate. There was however, some overlap between the two.

Financial constraints were the main barrier to training provision. One very small heating company would send employees on more up-dating courses if they had more money. Another respondent felt they only did 'enough to get by'. He did not think any company does enough training in the present climate.

Although financial constraints were preventing enough training being done, they were rarely leading to major cuts in provision (as illustrated above). One manager described how they now only 'provide the urgent stuff'. There is much demand for training from employees and they simply cannot provide it all.

It was not simply the cost of sending people on training courses which was causing difficulty. In organisations which have cut staffing levels to a minimum, 'replacement costs' become a major issue. There is rarely any slack to cover for absentees. Furthermore, the type of training required by changes in working practices can exacerbate this difficulty. For example, the hospital would like to do more team training but if they take a whole team of nurses away another team has to replace them. Some jobs just cannot be left empty even for a very short period of time. Releasing staff for training has frequently been reported as a major problem for small businesses (Vickerstaffe, 1993), and emerged as an issue in this study. The manager of a small manufacturing company said that time constraints were the biggest barrier to providing enough training — they need everyone to put time into the business.

3.9 The understanding and use of initiatives

Respondents were asked whether they had heard of certain initiatives, and if so whether the establishment was involved in it, and their general opinions. This section briefly discusses the comment made. The following section explores awareness of and attitudes towards youth credits in more detail.

NVQs and BS5750 were the most widely known and used initiatives. Twenty seven respondents had heard of NVQs and 25 of BS5750. NVQs have received much comment in the media recently and much of people's knowledge came from this. The majority were not directly involved in NVQs, but several of those which had any trainees attending college courses thought the qualification might be an NVQ or NVQ related. There was generally quite a lot of uncertainty around this.

A few of the larger employers had looked into using NVQs more generally as part of a general review of training activities. Attitudes were mixed. Some thought NVQs ideal for their purposes, and were beginning to introduce them across the board or for specific groups of workers. Sometimes they were being introduced on their own, sometimes as a precursor to involvement with Investors in People and sometimes it was planned that they would follow Investors in People or another training initiative. A few employers, especially the smaller businesses, were waiting for NVQs to be introduced for their industry or the occupational levels they employed before deciding whether to adopt them: 'at a level at the moment which doesn't lend itself to the business'. Several commented on the bureaucracy and time involved, especially if the company itself had its own assessors. This was not a problem on its own, but became an issue when many other changes were being introduced and staffing levels were tight — it was too much to do everything at once and different companies made different decisions about what was most important to them.

BS5750 was the most widely adopted initiative. Although several respondents were not very keen on it, many were having set up the systems and obtain the standard due to pressure from their clients. One respondent reported that they would probably have to introduce it eventually because their insurance company kept asking them about it. In general, BS5750 fitted into companies striving for a competitive edge through quality. It enabled them to set up systems and develop staff in a quality approach. A few felt the standard inappropriate and were setting up their own.

There was a fairly high level of awareness of National Training Awards and Investors in People, 20 respondents had heard of each, although some only vaguely (particularly of NTAs). Two establishments had been involved with NTAs, and two belonged to companies which were involved at a national level. In general, respondents felt they were a good idea. One respondent commented that they 'sounded wonderful, but we don't have time'. Many companies which are currently in the process of reviewing and increasing their training activities, might be tempted to apply when they have things more sorted out.

Although many respondents had heard of Investors in People, only a couple were involved in any way. However, it is relatively early days. Many were interested, and several commented that they wanted to get various systems and practices in place before committing themselves. It would be no use applying for something which they were not yet in a position to obtain. A number of those which were introducing BS5750 reported that Investors in People would probably be the next step. The IT company wanted to get BS5750 under its belt first, IiP 'runs naturally with the quality thing'.

3.10 Awareness of and attitudes towards Training Credits

Almost half our respondents had heard of Training Credits, but the majority of these had only a vague idea of what they were. Only a few could give an approximately correct outline of the initiative, and even those involved were unclear about exactly how it worked. Some of this lack of awareness can be attributed to the low level of youth recruitment. Many had not been interested in whether any grants were available. However, even those who were *thinking* about taking on young people were not *talking* about taking them on, or training through any initiative.

We asked some specific questions about Youth Credits, and others more generally about the influence that grants towards a young person's allowance or training might have. The responses to these questions are not very encouraging for those trying to find jobs for young people.

The majority of respondents could not think of anything that might encourage them to take on or employ (more) young people. Changes in the structuring of organisations was a major factor in this. As discussed above, managers were looking for experienced and older people when recruiting to many jobs and the number of jobs open to young people seems to have declined in recent years. An improvement in the economy will help, and this was the main factor mentioned that would increase employers' demand for youth labour: 'an upturn in the economy, so that we can have a reasonable level of manpower to provide their training'. However, it appears that there is a long way to go before any improvement is likely to enable them to recruit young and inexperienced people: 'a massive increase in work would be necessary'.

A minority of respondents felt that a grant either towards a young person's training or their allowance, would encourage them to recruit more young people. It is difficult to count the exact numbers, because several were rather vague in their answers. For many of those currently not needing to recruit, and seeing no need in the immediate future the question was rather hypothetical. However, the majority were definite in giving a negative answer. The restructuring of organisations, the general move away from recruiting young school leavers and the current economic climate were the main reasons: 'we don't have the work for them to do'; 'money is not the reason, we mainly recruit part-time clerical staff and many jobs need experience'; 'we have no positions for them — we have existing staff to look after'; 'as we are at the moment, probably no, we have to count the pennies'.

Views on the usefulness of Youth Credits were closely related to the comments made about grants for young people generally. Only a couple of respondents were able to say without qualification that this type of initiative would make them more likely to employ young people. As has been mentioned at several points in this chapter, the current economic climate, a small number of employers' negative views of young people and the restructuring of many organisations all have an important impact on the number of opportunities for young people. The existence of any incentives to employ young people will have a minimal impact on these. A couple of respondents did report that any grant would have to be very large to persuade them to recruit young people. They were generally vague about the amount needed. One would need the salary of an experienced person to enable them to release someone to train, supervise, *etc*.

It was impossible to get those employers who had not used and/or heard of Youth Credits to comment on how such an initiative should operate except in the most general terms. Nevertheless, a number of general themes emerge. The following comments were typical: 'only employ someone right for the job'; 'actual person himself more important' (than whether a grant available); 'reliability more important, even if free of charge'. Employers are very insistent that they will only take on someone of their choice, who fits in and, very importantly, is needed. If a grant of some sort comes with that young person it will be useful to them, but a grant would not encourage most to take on a young person they saw as unsuitable. 'If there are schemes which develop young people, we would certainly look at them and would take on if they fit the criteria for any job available'.

Several employers had previous experience of YT, and a few had been put off. Any administrative hassles and inappropriate young recruits, and they had withdrawn. Their views of subsequent initiatives is coloured by this experience.

The third user of Youth Credits was the distributor of computer aided design software. By and large they were happy with the way they are run but they had no real direct experience, as the training provider dealt with everything. They were happy with the training provided and a good working relationship had developed.

3.11 Summary

The evidence from these employer interviews does not give great grounds for optimism for the future employment prospects of young people. Less than half of employers actually had any young people in their workplace, and where some were employed, the numbers were small: in the majority of cases just one. Two clear reasons for this can be identified:

- The impact of the recession and attendant low turnover amongst current employees, had led to very few vacancies arising. Employers had therefore stopped recruiting and young people had not had the opportunity to enter employment in these organisations.
- At the same time, many employers had changed their work organisation and working practices. This meant that many employers had fewer junior jobs within their organisational structures and that there was less scope to take on a junior person who required training (particularly when there were often experienced people also seeking jobs who could be productive from day one). This was a particular emphasis within the service sector, where a growing awareness for the need for higher levels of customer service had led to demands for mature people.

There was some concern about the quality of young people (particularly the level of literacy), but the employers who reported this were outnumbered by those employers who were generally content with the quality of young people. Indeed there were more employers who took a stance that the jobs that they had to offer were unsuitable for young people, being either dangerous or low skilled, thus taking the view that their jobs were not good enough for young people rather than vice versa.

Young people who had special needs were at the end of the job queue. Employers were positive about employing individuals who had a physical disability and although none had actually employed a young person with a disability, several had older employers with disabilities. Employers were less positive towards individuals who had learning difficulties, stating almost without exception that their jobs required a minimum level of basic skills and that a lack of these would work against recruitment.

Once a young person has gained employment, then prospects for receiving training are very favourable. Nearly all employers offered training on introduction to the workplace and for continuing employment.

Others reported that they did not provide any off-the-job training for young recruits, either because there were no appropriate external courses or because they were dissatisfied with the quality of them. 'Whatever we send them for, they don't use much here'. The views expressed by any employers did not concur with current drives towards broad based training provision. They had developed internal training programmes appropriate to their organisation, and would not be prepared to change this to fit into any initiative. Some were satisfied with existing external training provision, and any grant would be useful to subsidise what they were already doing but would not increase the number of opportunities they provided: 'we might incorporate them into our apprentice programme, but it wouldn't change what we currently do'.

One feature of the recruitment of young people mentioned in Section 3.3 was the movement away from the direct recruitment of school leavers towards consideration of a broader group of young people. Several employers preferred to take on older young people. The initial reaction of these to the availability of a grant towards training young people was favourable, but when they were reminded that the initiative applied to 16 and 17 year old school leavers they backtracked. A grant towards the training of a slightly older age group would be attractive to these employers.

The picture for Youth Credits is not all negative. A small number of respondents did feel that, when they were recruiting, the existence of any such assistance might tip the balance towards young people or help them to provide more training: 'it would help us train further, assuming the young person wanted to do so'. One retail outlet, for example, reported that the main problem with young people was that they lack experience and they would appreciate anything which would help them gain knowledge of a young person's working abilities.

Only three respondents had experience of Youth Credits. They were all generally satisfied with the initiative, but had a relatively limited understanding of it. One employer employing a young person with a youth credit was a hairdresser. The manageress felt that it was 'all very confusing'. All the administration and training was dealt with by the managing agent and everything had worked out although it had not really been any different from the old YTS.

A manufacturer employed all their apprentices on Youth Credits. Their training manager chooses, recruits and organises the training, and the training provider receives the trainees' credits plus some money from the company. The manager felt that the provider was the main beneficiary of the initiative, but relations with the provider were good and Youth Credits generally fulfilled the needs of the workplace in training young people. The introduction of Training Credits had not affected the establishment's recruitment and training of young people, and they were involved with credits in a similar way to YT. The main way in which Training Credits could be made more attractive to this employer would be 'more money'. They had no complaints about the level of bureaucracy or selection of trainees.

The employers were generally aware and involved with a wide range of initiatives, the most popular being BS5750, NVQs and Investors in People. Similarly about half of the employers had heard about Training Credits, but only a small minority were involved or had any level of understanding about the initiative. In terms of the impact such an initiative might have, the employer responses were not particularly encouraging. Whilst a minority of employers thought that grants towards either the wage costs or training costs would encourage them to increase their employment of young people, the majority were definite in giving a negative answer. The decision to employ a young person or not was taken on commercial grounds and the existence of such any such grant can only operate on the margins of this employment decision.

4. Evidence from the Telephone Survey

4.1 Introduction

This chapter reports the results from the telephone survey conducted amongst 250 employers in the SOLOTEC area. The questions were designed to focus on the findings from the face-to-face interview survey, so that we could examine the extent to which these issues were replicated across a wider and larger sample of employers.

The structure of this section thus follows more or less the same structure as Chapter 3, examining initially the nature of the sample, then moving on to look at the employment of young people, the extent and nature of recruitment activities (including any difficulties), training, and finally the influence of Training Account on both the recruitment and training of young people.

4.2 Recruitment activity

A key feature with regard to the employment of young people is the extent of recruitment activity in the last year and in the immediate future. Young people rely more than any other group in the labour market for a certain amount of 'churning' to take place: turnover creates opportunities for entrance into the labour market, an opportunity otherwise only afforded by growth.

Table 4.1 Recruitment activity

	N	%
Recruited in the last twelve months	196	78
Will recruit within the next twelve months	13	5
Not recruited or no plans to recruit	41	16
Total	250	100

Source: IES Survey, 1994

The results show that a majority of our respondents had either recruited within the last 12 months or will be doing so in the next 12 months.

Those employers who had not recruited or who were not considering recruiting were asked why this was the case. The most common reason (59 per cent) was because they had a stable workforce with no turnover or because they were cutting back on staff due to the recession (37 per cent).

4.3 The employment of young people

Just over a half of employers did not have any young people employed in the workforce. The numbers employed varied quite significantly: of those that do employ young people, a fifth employ only the one, and half employ between two and five. It is worth noting that five employers actually employ more than 50 young people.

Table 4.2 Employment of young people

Number of young people employed	N	%
None	136	55
1	24	55
2-5	57	23
6-10	13	5
11-20	6	2
21-50	8	3
50	5	2
Total	249	100

Source: IES Survey, 1994

Of course, this information on its own tells us very little. The higher numbers of young people employed nearly all work for larger employers: larger firms employ more young people because they actually employ more of every age group. Having said that, it is interesting to note one factor from this raw data. If we calculate the total number of young people who are employed by the 250 employers covered in this survey, we find that, in total, the employers are employing a total of 1,170 young people between the ages of 16 to 18. If we show the distribution of these, it can be seen (as we would expect from the earlier discussion) that the majority of these work in a single sector: distribution.

Table 4.3 Total number and distribution of young people in employment in the survey

Sector	N	%
Extraction of ores and minerals	3	—
Metal goods manufacture	21	2
Other manufacturing	3	—
Construction	48	4
Distribution, hotels & catering	915	78
Transport and communication	13	1
Banking and finance	108	9
Miscellaneous services	17	1
Public administration	42	4
Total	1,170	100

Source: IES Survey, 1994

Table 4.4 expresses the number of young people as a proportion of the total employment within the company. As can be seen, the importance of young people as part of the labour force varies enormously. Again, we have a large proportion of employers who do not employ any young people, but for a significant minority of employers, young people form more than 20 per cent of their workforce.

Table 4.4 Young people as a proportion of total workforce

Proportion who are young people (%)	N	%
0	133	54
0.1 to 5.0	47	19
5.1 to 10.0	23	9
10.1 to 20.0	22	9
>20	20	8
Total	245	100

Source: IES Survey, 1994

The location of those employers who rely on young people to such a large extent is not as clear cut as one might imagine in the first instance. It is perhaps not surprising that of these 20 employers, 16 are located in the distribution sector. However, the relationship with size is not so clear cut.

Table 4.5 Young people as a proportion of workforce and establishment size

%	Size 11-99 %	 100-199 %	 200+ %	Total N	 %
0	73	14	14	133	54
0.1 to 5.0	45	26	30	47	19
5.1 to 10.0	70	17	13	23	9
10.1 to 20.0	73	9	18	22	9
>20	55	15	30	20	8
Total N	161	39	45	245	
%	66	16	18		

Source: IES Survey, 1994

Table 4.6 Young people as a proportion of total workforce, by sector

%	Sector Extraction of ores and minerals %	 Metal goods %	 Other manufacturing %	 Construction %	 Distribution %	 Transport & communication %	 Banking and finance %	 Misc. services %	 Public admin %	Total N	 %
	5	7	8	11	11	8	24	13	14	133	54
0.1 to 5.0	4	15	2	6	7	2	23	11	19	47	19
5.1to 10.0	–	4	4	4	39	9	22	4	13	23	9
10.1 to 20.0	–	–	–	23	41	14	5	–	18	22	9
>20	–	–	–	5	80	–	5	–	10	20	8
Total N	9	17	13	24	57	16	50	23	36		
%	7	7	5	10	23	7	20	9	15		

Source: IES Survey, 1994

Those employers who did not employ any young people (129 in total) gave a variety of reasons why this was the case. These are listed in Table 4.7 below, but we have also grouped them into three groups which have a common base:

- temporary factors, such as the recession which have called a halt to recruitment
- factors affecting the employers' preferences, be it a preference for older people or a dislike of young people
- features of the job, which make it unsuitable for young people.

Table 4.7 Reasons for non-employment of young people

	N	%
Recession	44	34
Lack of suitable young people applying	9	7
General poor quality of young people	6	5
Prefer older people	4	3
Only recruit experienced people	14	11
Jobs not suitable for young people	7	5
Skill requirements of job too specialised for young people	17	13
Health & safety	18	14
Other	6	5
Do not know	4	4
Total	129	100

Source: IES Survey, 1994

The most common single reason given for the non-recruitment of young people was the impact of the recession having led to a decline in recent recruitment and all staff still at the workplace being now over that age. Thirty four per cent of these employers cited this as the reason. However, a similar proportion (32 per cent) stated that there are factors about the jobs which made them unsuitable for young people (either safety or skill factors) and a further 26 per cent stated a preference for older workers or some reason why they dislike employing young people.

The implication of this is that if we are seeking to expand employment of young people, then it could be expanded in one of two ways:

- encouraging those employers who already employ young people (47 per cent of the sample) to employ more of the same
- persuading those who do not employ young people to begin doing so. About a third of these would appear amenable to do so, but a further two thirds (being a third of the total sample) appear to be unwilling to do so.

To further explore this, we approached those employers who had recruited in the last 12 months or would be recruiting in the next 12 months (a total of 209 employers) with a series of questions about their attitudes to recruiting young people. The initial question was whether these employers had either considered, or would be considering, young people aged between 16 and 18 for the vacant positions. Whilst 56 per cent of employers either did or will consider young people, there is a significant minority, 43 per cent, who do not or will not consider young people for any posts.

Table 4.8 Consideration of young people for the new positions

	N	%
Yes, considered	74	35
Yes, will consider	45	21
No	90	43
Total	209	100

Source: IES Survey, 1994

The reasons the employers gave for not considering young people were similar to those given above by employers for not having any young people in the workforce. They can again be classified into aspects of the job, with about 22 employers citing such reasons, and preferences for older workers/against young people cited by another 50 employers.

Of course, being considered for a job is by no means a guarantee that a young person will actually secure that job. Indeed, of those employers who had recruited somebody in the last 12 months and who considered young people (74 employers), some 55 employers had actually recruited young people.

Table 4.9 Recruited young people in last 12 months

	N	%
Yes	55	74
No	19	26
Total	74	100

Source: IES Survey, 1994

The 19 who did not take on any young people did not do so mainly because no suitable young people applied (12 employers cited this).

As a final examination of the possible penetration of young people into employment and the pressures that they face we asked those employers who either had recruited young people or would consider young people in a future recruitment, whether the positions were open to people aged 16 to 18 only, or whether the young people were in open competition with adults. In just over 70 per cent of cases in both instances, the jobs were in open competition with adults, giving young people relatively few sheltered employment opportunities.

Table 4.10 Extent of competition between young people and adults

	Had recruited young people		Will consider young people		Total	
	N	%	N	%	N	%
Jobs only open to young people	15	27	11	24	26	26
Jobs in competition between young people and adults	39	71	32	71	71	71
Do not know	1	2	2	4	3	3
Total	55	100	45	100	100	100

Source: IES Survey, 1994

4.4 Training

Those employers who had, or were likely to recruit young people were asked if these young recruits will receive training. The vast majority of employers, 98 per cent, responded in the positive. The two employers who did not offer training to their young recruits did not do so because the jobs to which the young people are being recruited, do not require it, being of a very low skill level.

In conjunction with the finding that the majority of jobs for young people are in open competition with adults, nearly all young recruits receive the same training as other adult recruits. The 16 employers who offered different training regimes to other adult recruits were all employers who offered sheltered employment opportunities, and these are almost certainly apprenticeships, which were only open to young people (Table 4.12).

The amount of days training given to a 16 to 18 year old recruit within the first 12 months shows a great deal of variation. The data for the amount of training is available only for those who employed or who had recruited young people: a total of 72 employers. Data on the amount of training was separated into off-the-job and on-the-job training.

Table 4.11 Whether young recruits will receive training

	N	%
Yes	117	98
No	2	2
Total	119	100

Source: IES Survey, 1994

Table 4.12 Young person's training same as other adult recruits

	N	%
Yes	99	85
No	16	14
Do not know	2	2
Total	117	100

Source: IES Survey, 1994

Off-the-job training

The distribution of the amount of off-the-job training amongst these employers is wide but fairly even. Just less than a third offer between one and five days training but a fifth give their young recruits more than 51 days of training per year.

Table 4.13 Off-the-job training

Number of days	N	%
1-5	22	31
6-10	13	18
11-19	10	14
20-49	12	17
50+	15	21
Total	72	100

Source: IES Survey, 1994

It is apparent from these stark figures that very different types of training are being offered by the employers. The one to five days reflects a fairly minimal level (possibly induction training), whilst those at the other extreme are those individuals on well-structured training programmes, incorporating an element of block release, or day release college training.

There are variations by size and sector, although the small sample sizes should be noted. We can see from Table 4.14 that the manufacturing sectors tend to be those employers who offer the highest number of off-the-job training days. Fifty per cent of construction companies offer more than 50 days off-the-job training per year compared with the distribution sector, in which 44 per cent of companies offer less than five days off-the job training per year.

Table 4.14 Off-the-job training, by sector

Sector		1-5 %	6-10 %	11-19 %	20-49 %	50+ %	Total N	Total %
Extraction of ores and minerals		—	—	—	33	67	3	8
Metal goods manufacture		38	13	—	50	—	8	11
Other manufacturing		25	25	—	50	—	4	6
Construction		—	—	13	37	50	8	11
Distribution, hotels & catering		44	17	13	9	17	23	32
Transport and communication		17	50	17	—	17	6	8
Banking and finance		37	13	25	12	12	8	11
Miscellaneous services		33	33	—	17	17	6	8
Public administration		33	17	50	—	—	6	8
Total	N	22	13	10	12	15	72	
	%	31	18	14	17	21		

Source: IES Survey, 1994

On-the-job training

The distribution of the amount of training days of on-the-job training is also fairly widely spread amongst the 84 employers who offer such training. As might be expected, there are higher proportions of employers who offer greater amounts of training, such that over half of employers who offer on-the-job training offer more than 51 days per year. Again, these employers would appear to be those who are offering well-structured training programmes.

There are some associations by size and sector, whereby smaller companies appear to be more likely to offer on-the-job training (and offer more of it) than larger companies, as do manufacturing-based companies.

Table 4.15 On-the-job training

Number of days	n	%
0	3	3
1 - 5	5	6
6 - 10	10	12
11 - 19	6	7
20 - 49	16	18
50+	47	54
Total	87	100

Source: IES Survey, 1994

Training outcomes

In less than half of these cases, the training actually leads to a qualification but where it does, the qualification tends to be nationally recognised.

Table 4.16 Training and qualifications

		Yes	No	Do not know	Total
Training leads to a qualification	N	49	66	2	117
	%	42	56	2	100
Qualification nationally recognised	N	47	0	2	49
	%	96	0	4	100

Source: IES Survey, 1994

The employers were asked to name the nationally recognised qualification: the most popular were National Vocational Qualifications (NVQs), with this being named by over half of these employers. However, a high proportion of employers named 'other' qualifications, which may or may not be nationally recognised.

Impact of Training Account

Only a minority of employers in the survey had actually heard of Training Accounts, although when the alternative name of Training Credits or Youth Credits was offered, awareness increased to just over a third of all employers.

Table 4.17 Awareness of Training Account, Training Credits or Youth Credits

Have heard of:	**N**	**%**
Training Account	41	16
Training Credit or Youth Credit	52	21
None of these	155	63
Total	248	100

Source: IES Survey, 1994

Involvement with Training Account is very low. Of the 93 applicable employers (*ie* those who had heard of the initiative), only five had employees within the workplace funded by Training Account or Credits.

Table 4.18 Involvement with Training Account or Credits

	N	**%**
Yes	5	5
No	83	90
Do not know	4	4
Total	92	100

Source: IES Survey, 1994

With so very few employers involved in the initiative, it is difficult and possibly misleading to dwell over much on responses given by the involved employers in the initiative, and for this reason we give only numbers and not percentages. However, having said this, the responses of the five employers were generally positive. In terms of overall satisfaction, none of these five employers reported any dissatisfaction and four reported positive satisfaction.

Table 4.19 Overall satisfaction with Training Account

	N
Very satisfied	2
Fairly satisfied	2
Neither satisfied nor dissatisfied	1
Fairly dissatisfied	0
Very dissatisfied	0
Total	5

Source: IES Survey, 1994

Table 4.20 Attitudes to aspects of Training Account

	Very dissatisfied	Dissatisfied	Neither satisfied nor dissatisfied	Satisfied	Very satisfied	Weighted score
Quality of young people available on the scheme	0	1	3	2	0	3.2
Level of paperwork involved	0	0	2	2	1	3.8
Level of administration involved	0	0	2	1	2	4.0
The amount of information available about the initiative	0	1	1	3	0	3.4
Amount of money available	0	0	3	2	0	3.4
Rules about the way the money can be used	0	1	1	2	1	3.6
Level of support & back-up provided	0	0	1	2	2	4.20

Source: IES Survey

With regard to specific aspects of the initiative, again there was little evidence of dissatisfaction. The only area where employers expressed any dissatisfaction was the quality of young people, the amount of information and the rules about the way in which the money can be used — but these views are always expressed by a single employer. In Table 4.20 we show the distribution of the responses and a 'weighted' score whereby one is equal to 'very dissatisfied' and five, 'very satisfied': the scores for the responses are summed and the average score given for each aspect of the initiative. As can be seen, the areas which score the highest (and are therefore those with which employers are most satisfied) are the level of support/back-up

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provided and the level of administration involved, which both average at four or above.

Because so few employers are involved in Training Accounts, we asked the employers in our survey a series of hypothetical questions about the impact on their behaviour with regard to recruiting and training young people with grants, or greater support via the initiative. The questions we asked were:

- If a grant were to be offered that could be redeemed against the *wage* of a young person, would this make you more or less likely to give a job to a young person, or would it make no difference?
- If a grant were to be offered that could be redeemed against the *training costs* of a young person, would this make you more or less likely to employ a young person, or would it make no difference?
- If a service were to be offered which would help you with managing young people and their training, would this make you more or less likely to give a job to a young person, or would it make no difference?

The responses are shown in Table 4.21 below.

Just over a quarter of employers believe that a grant which would help towards wage or training costs would make it more likely that they would employ a young person. A lower proportion (17 per cent) believe that a service to help with the management of young people would help. The majority of these employers believe that such interventions would make no difference to their recruitment decisions.

Table 4.21 Employer responses to interventions

	Recruitment of young people:				
	More likely	Make no difference	Less likely	Do not know	Total
	%	%	%	%	N
Grant towards wage	27	64	0	9	250
Grant towards training costs	28	64	0	8	250
Service to help with management of young people	17	75	3	6	250

Source: IES Survey, 1994

Finally, the employers were asked whether, in their view, there was anything that any initiative aimed at helping young people to enter the labour market should include. As one would expect with such an open question, there were a wide variety of responses, many of which are beyond the scope of the TEC to act upon. However, in Table 4.22 we record the responses: it should be noted that as employers could (and did) make more than one response, the percentages will total more than 100 and each percentage given is of the total sample of 250.

Table 4.22 Aspects to be included in an initiative to help young people enter the labour market

	N	%
Basic skills	21	8
Job related skills	77	31
Job application skills	13	5
Attitudes to work	61	24
Personal characteristics	17	7
Education	23	9
TEC behaviour	21	8
Miscellaneous	9	4
Nothing	35	14
Do not know	49	20

Source: IES Survey, 1994

The most common response, mentioned by 77 employers, was that there needed to be aspects which gave young people more job related skills and experiences. This covered a range of general and specific experiences (which are difficult to disentangle because different employers express things in different ways). Comments such as 'skills being correct for the job' were common. Other employers mentioned the need for explicit skills such as 'computer skills', 'ability to deal with the elderly' and a 'full driving licence'. The next most common response was that young people needed generally good attitudes to work. Specific and common phrases include 'hardworking', 'willingness', 'commonsense', 'punctual' and 'able to work in a team'. Very closely related to this are personal characteristics, mentioned by 17 employers. These are only subtly different and relate to the young person being 'well presented' and 'polite'. A number of responses (21) referred to things that the TEC could do: these include advertising its services better (five employers), paying a training grant to employers (nine employers) and being less bureaucratic (three employers).

4.5 Summary

The findings of the telephone survey reflect the evidence from the case studies, but give a clearer indication of the extent of the observed phenomena. Again less than half of the employers actually had any young people employed at the time of the survey, with a third noting that this was due to short term factors, a quarter that it was due to their preference (either against young people or for older workers) and a third cited features of the job which make it unsuitable for young people to undertake.

In terms of the penetration of young people into the labour market, it is clear that they are not being considered at all by about a third of all employers. In the reminder of employment opportunities, young people are increasingly finding themselves in competition with adults for the same jobs and the extent to which sheltered employment opportunities exist for young people (with adults excluded) is limited to a relatively small proportion of employers. In an economic climate where instant productivity is a bonus and there is a plentiful supply of experienced adults this has the effect of working against young people.

Once employment is gained, training appears to be an accepted part of the working environment for the majority of employees. However, the impact of Training Accounts on either the decision to recruit or train a young person appears limited. Relatively few employers had heard of training Accounts, and only a small minority are involved. Only about a quarter of employers believed that a hypothetical grant towards either training or wage costs would have a great impact on the employment decision.

5. Modelling the Youth Labour Market

Chapter 2 looked at the current state of the labour market for young people, and in this chapter we go on to consider the recent trends and future developments in the youth labour market, at both a national and SOLOTEC area level.

5.1 Trends in the national youth labour market

As has been noted in Chapter 2, there has been a dramatic fall in the numbers of young people (16 to 18 year olds) in employment during the last four years, from 1.36 million in 1990 to 900,000 in 1993, a fall of more than one third. Table 5.1 shows the recent trends in employment of young people by industrial sector. The employment of young people in financial and business services fell by two thirds during this period, more than in any other sector. The agriculture, distribution and other services sectors experienced the smallest percentage falls in the employment of young workers. However, the size of the distribution sector meant that it shed the largest number of jobs, and it accounted for almost one third of the total number of jobs lost.

Table 5.1 Young people employed, by sector (UK)

	1990	1993	Change	
Agriculture	23,274	20,656	−2,618	−11.2%
Energy & water	6,672	2,907	−3,765	−56.4%
Minerals, etc.	28,719	12,101	−16,618	−57.9%
Metal goods manufacture	95,866	49,720	−46146	−48.1%
Other manufacturing	111,574	67,463	−44,111	−39.5%
Construction	106,956	48,333	−58,623	−54.8%
Distribution, hotels & catering	614,382	470,382	−144,000	−23.4%
Transport & communication	47,184	21,519	−25,665	−54.4%
Banking and finance	128,177	43,281	−84,896	−66.2%
Other services	195,796	166,038	−29,758	−15.2%
Total	1.358,601	902,401	−456,200	−33.6%

Source: IES analysis of LFS data, 1994

Using a shift-share analysis similar to that discussed in Chapter 2 we can show (in Table 5.2 below) that the overall net fall of 456,000 was caused by:

- 70,000 jobs disappearing as the overall employment level fell during the recession
- the continuing decline of the production sectors, although partly offset by growth in the service sectors, this resulted in a further 15,000 lost jobs, and
- changes in employment patterns within industrial sectors, which had the most dramatic effect, reducing young people's employment by 371,000.

The shift-share analysis methodology, its use in forecasting and its limitations, is described in full detail in Appendix 1 of this report.

Table 5.2 Reasons for change in numbers of young people employed, 1990 to 1993 (UK)

Reason for change	**Size of change (000's)**
Changing size of workforce	−70
Changing industrial structure	−15
Changing balance of employment within sectors	−371
Total change	−456

Source: IES analysis of LFS data, 1994

5.2 Projections in the national youth labour market

Using this shift-share technique, it is possible to produce projections of the future for the youth labour market. These are based on national sectoral employment projections and assume that the performance of the youth labour market remains the same relative to the total labour market (*ie* that the patterns of employment within industrial sectors will move in the same way in the future as in the recent past).[1]

Table 5.3 shows the projected changes in the national youth labour market, to the turn of the century. Between 1993 and 1995, the employment of young people is expected to fall by almost 20 per cent, resulting in almost 170,000 fewer young people working. The recent trends in employment in each sector are expected to continue. The financial and business services sector is set to experience the second largest percentage decrease in the employment of young people, with only the energy and water supply sector experiencing a larger fall. The percentage decline in employment will be least marked in agriculture, distribution and other services. In absolute numbers, distribution will experience the largest fall in jobs, with 60,000 fewer young workers in distribution in 1995 than there were in 1993.

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[1] The national sectoral employment projections are taken from *the Review of the Economy and Employment 1992/3*, Institute for Employment Research.

Table 5.3 Projected changes in national youth labour market

	1993	1995	Change	%	1995	2000	Change	%
Agriculture	20,656	20,041	−615	−3.0	20,041	18,677	−1,363	−6.8
Energy & water	2,907	1,362	−1,545	−53.2	1,362	1,126	−236	−17.3
Minerals, etc.	12,101	8,267	−3,834	−31.7	8,267	7,610	−657	−7.9
Metal goods manufacture	49,720	32,765	−16,955	−34.1	32,765	30,108	−2,657	−8.1
Other manufacturing	67,463	47,005	−20,458	−30.3	47,005	42,891	−4,114	−8.8
Construction	48,333	35,190	−13,143	−27.2	35,190	36,828	1,637	4.7
Distribution, hotels & catering	470,382	410,049	−60,333	−12.8	410,049	434,563	24,514	6.0
Transport & communication	21,519	13,233	−8,286	−38.5	13,233	12,558	−675	−5.1
Banking & finance	43,281	24,499	−18,782	−43.4	24,499	29,037	4,538	18.5
Other services	166,038	140,901	−25,137	−15.1	140,901	158,530	17,629	12.5
Total	902,401	733,311	−169,090	−18.7	733,311	771,928	38,617	5.3

Source: IES analysis of LFS data, 1994

The numbers of young people in employment is expected to bottom out in the middle of the 1990s, and then rise slowly to the turn of the century. Thus between 1995 and 2000 there is expected to be a five per cent increase in youth employment, resulting in 38,600 more young workers. However, the youth employment level in 2000 is still expected to be only 57 per cent of its 1990 level, up from the low of 54 per cent in 1995. In no sector is employment in 2000 expected to reach its 1990 level.

The financial and business services sector, which has experienced the largest percentage decrease in employment since 1990, is set to experience the largest percentage increase in employment between 1995 and 2000, almost 19 per cent. Despite this the employment level in 2000 is expected to be only a fifth of the 1990 level. The largest increase in jobs for young people will be in the distribution sector, with employment levels rising by almost 25,000. This accounts for almost two thirds of the total increase in young workers between 1995 and 2000. The employment of young people in the construction and other services sector is projected to increase, but in all other sectors the numbers of young workers is expected to decline.

5.3 The youth labour market in SOLOTEC

Having looked at the recent trends and likely future projections in the labour market for young people nationally, this section goes on to model the youth labour market in the SOLOTEC area.

5.3.1 The current picture

Information from the 1991 Census of Population reveals that there were 15,000 young people in employment in the SOLOTEC area. These comprise 10,700 fully employed young people, 1,100 people on government training schemes, and 3,200 employed students. Table 5.4 shows the industrial breakdown of youth employment in the SOLOTEC area. Relatively few young people work in manufacturing, only eight per cent compared with 17 per cent nationally. The distribution sector is similarly under-represented, accounting for 37 per cent of youth employment in SOLOTEC compared with 47 per cent in the country as a whole, although the distribution sector is still the largest employer of young people. By contrast, there is an over-representation of young people working in the financial and business services sector, with one in five young people working in the sector compared with only seven per cent nationally. The construction and transport sectors are also over-represented.

Table 5.4 Youth employment in SOLOTEC area, by sector

	Employment	%	GB %
Agriculture	0	0.0	1.8
Energy & water	0	0.0	0.6
Minerals, etc.	96	0.6	1.5
Metal goods manufacture	353	2.4	6.9
Other manufacturing	756	5.1	8.6
Construction	1,876	12.5	7.0
Distribution, hotels & catering	5,508	36.8	46.6
Transport & communication	842	5.6	3.0
Banking & finance	3,014	20.2	7.0
Other services	2,506	16.8	16.9
Total	14,951	100.0	100.0

Source: IES analysis of 1991 Census of Employment data

The industrial breakdown of youth employment varies considerably according to the employment status of young people. Thus only 25 per cent of those fully employed work in distribution, while four in five students in employment work in the sector. This supports the analysis presented in Section 2.2, where it was noted that part of the importance of the distribution sector is its provision of part time work for those still in education. Conversely, only six per cent of working students are employed in financial and business services, compared to 26 per cent of fully employed young people. Those young people on government training schemes are over-represented in the construction and other services sectors.

5.3.2 Estimated current employment levels

As the Census of Population is the only available source of information on the employment situation of young people in the South London area, data on youth employment are only available for 1991. However, it is possible to update the figures for the SOLOTEC area to 1993, assuming that the performance of the youth labour market in SOLOTEC relative to overall employment performance in SOLOTEC is the same as the performance of the national youth labour market relative to the overall national employment performance. That is to say, the effects of changing employment patterns within industrial sectors is the same in South London as in the country as a whole. These relativities can then be applied to the recent changes in industrial employment in SOLOTEC to estimate the current picture of youth employment in South London.

Table 5.5 Estimated changes in South London youth employment, 1991 to 1993

Young people in SOLOTEC	1991	1993	Change	% Change	GB % Change
Agriculture	0	0	0	0.0	−7.6
Energy & water	0	0	0	0.0	−63.0
Minerals, etc.	96	65	−31	−32.1	−33.7
Metal goods manufacture	353	224	−129	−36.7	−40.2
Other manufacturing	756	497	−259	−34.2	−35.4
Construction	1,876	1,061	−815	−43.4	−43.3
Distribution, hotels & catering	5,508	4,647	−861	−15.6	−16.6
Transport & communication	842	486	−356	−42.3	−40.2
Banking & finance	3,014	1,338	−1,676	−55.6	−49.1
Other services	2,506	1,854	−652	−26.0	−18.8
Total	14,951	10,172	−4,779	−32.0	−25.4

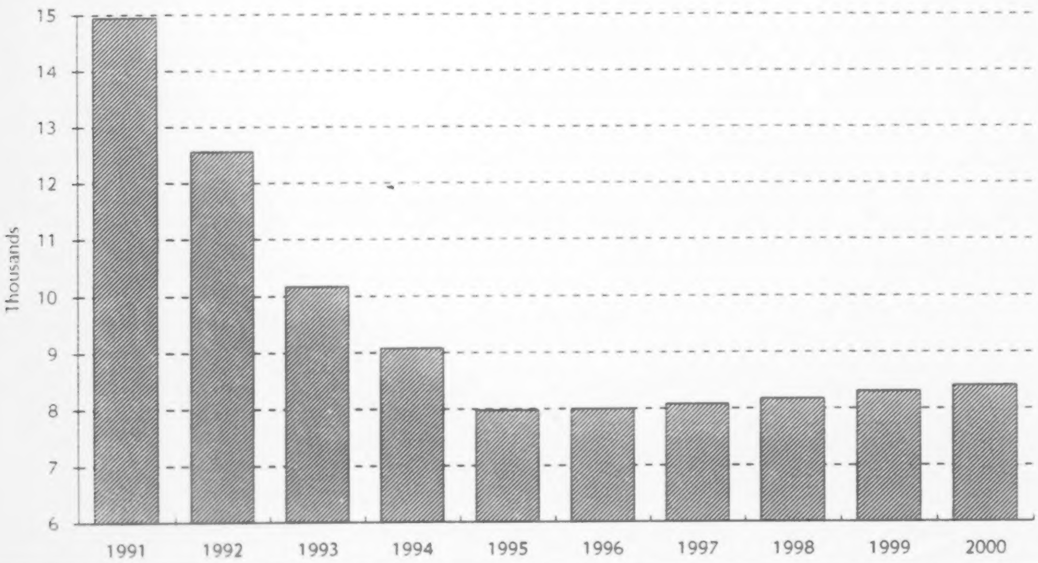
Source: IES analysis of 1991 Census of Employment data

Table 5.5 shows the estimated changes in youth employment in South London between 1991 and 1993. Youth employment overall is estimated to have decreased by 4,800 in SOLOTEC, a fall of almost one third compared to a national fall of a quarter. The financial and business services sector experienced the largest decrease, with employment levels falling by 1,700, or 56 per cent. Employment in the other services sector and the distribution, hotels and catering sector fell by less than the SOLOTEC average, so that in 1993 these sectors' shares of overall employment were 18 and 46 per cent respectively, compared with the 1991 figures of 17 and 37 per cent respectively. Finally, the distribution, hotels and catering sector, along with the manufacturing sector in South London, experienced smaller employment falls than those observed nationally.

5.3.3 Projections in the SOLOTEC youth labour market

The analysis used above to estimate the current state of the SOLOTEC youth labour market can be taken a stage further to produce likely future projections of youth employment. Assuming that the relative performance of the youth labour market compared to the overall labour market will be the same in the future as it has been in the recent past, these relativities can be applied to overall sectoral employment forecasts for South London obtained from SOLOTEC, and so the likely future changes in youth employment in South London can be modelled. Figure 5.1 shows the projections in the overall level of youth employment in South London. The number of young workers is expected to continue falling to the mid-1990s, from the 1993 level of 10,200 to reach a low of just under 8,000 in 1995. Youth employment is expected to rise gradually from 1995 to reach a level of 8,400 by the turn of the century.

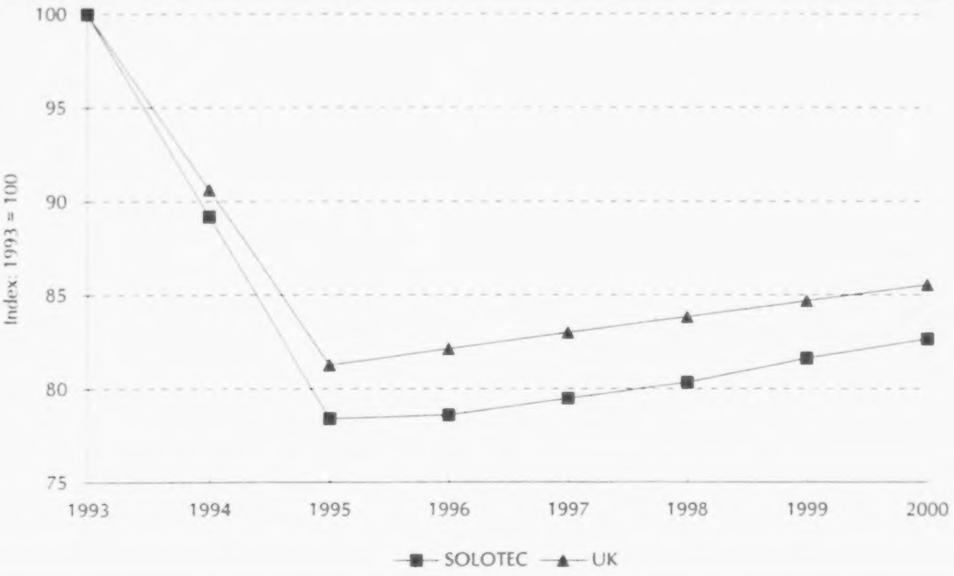
Figure 5.1 Employment of young people in South London



Source: IES estimates from LFS and Census of Population

The performance of the SOLOTEC youth labour market in comparison to that of the national youth labour market is shown in Figure 5.2. Youth employment in South London continues to fall faster than the national average to the mid-1990s. Thus between 1993 and 1995 the employment of young people in SOLOTEC falls by 22 per cent, compared to the national fall of 19 per cent. However, between 1995 and 2000 youth employment in South London rises very marginally quicker than in the country as a whole.

Figure 5.2 Index of youth employment



Source: IES estimates from LFS and Census of Population

The reason for this greater fall (and only slight greater recovery) lies in a number of areas. Firstly, according to the IER forecasts, the overall economic downturn in SOLOTEC is greater than the rest of the UK and the recovery slightly greater: *ie* the trend for young people reflects that of the overall employment pattern. We also need to examine the sectoral forecasts for the South London youth labour market are presented in Table 5.6 and compare this to Table 5.3. Youth employment in SOLOTEC does better in distribution and other services, but fares worse in all other sectors. This is particularly so for banking and finance which, as we have seen in Table 5.4 is a much more important employer within SOLOTEC than in the rest of Great Britain as a whole.

In addition, the financial and business services sector is expected to experience the largest decrease in employment to 1995, with a further fall of almost a half. However, the sector is expected to pick up to the turn of the century and experience the largest increase in employment. Between 1995 and 2000 the employment of young people in financial and business services in South London is expected to increase by over a quarter, compared to the national increase of only 19 per cent. Employment in the distribution sector is expected to fall by ten per cent between 1993 and 1995, smaller than the forecast national decrease in the sector, although from 1995 employment growth in the sector is expected to be modest. Prospects are rather better in the other services sector, which is set to experience rapid growth between 1995 and 2000 of 18 per cent, whereas nationally employment in this sector is expected to increase by only 12 per cent. The other services sector is the only sector in South London in which employment levels in 2000 will be greater than they were in 1993.

Table 5.6 Forecast changes in youth employment in SOLOTEC area

	1993	1995	Change	% Change	1995	2000	Change	% Change
Minerals, etc.	65	40	−26	−39.3	40	26	−14	−34.7
Metal goods manufacture	224	129	−95	-42.4	129	101	−28	−21.6
Other manufacturing	497	339	−158	−31.8	339	283	−56	−16.5
Construction	1,061	721	−340	−32.0	721	759	38	5.2
Distrib., hotels & catering	4,647	4,176	−471	−10.1	4,176	4,243	67	1.6
Transport & communic'n	486	290	−196	−40.3	290	247	−43	−14.8
Banking & finance	1,338	701	−637	−47.6	701	879	178	25.4
Other services	1,854	1,579	−276	−14.9	1,579	1,870	291	18.4
Total	10,172	7,974	−2,198	−21.6	7,974	8,408	433	5.4

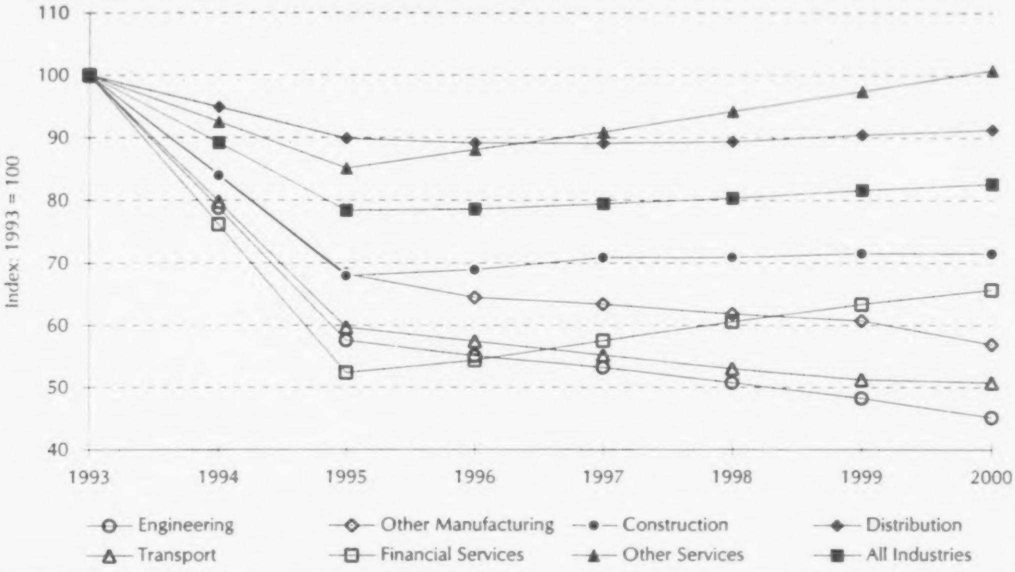
Source: IES analysis and projections of LFS and IER data, 1994

Table 5.7 Forecast of youth employment in SOLOTEC area, 1991 to 2000

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Minerals, etc.	96	81	65	52	40	36	31	31	26	26
Metal goods manufacture	353	288	224	176	129	123	119	113	108	101
Other manufacturing	756	627	497	418	339	320	315	307	302	283
Construction	1,876	1,469	1061	891	721	732	752	752	759	759
Distrib., hotels & catering	5,508	5,077	4,647	4,411	4,176	4,142	4,142	4,153	4,204	4,243
Transport & communic'n	842	664	486	388	290	279	269	258	249	247
Banking & finance	3,014	2,176	1,338	1,019	701	728	770	810	847	879
Other services	2,506	2,180	1,854	1,717	1,579	1,633	1,686	1,747	1,807	1,870
Total	14,951	12,562	10,172	9,073	7,974	7,994	8,084	8,172	8,302	8,408

Source: IES analysis of LFS and IER data, 1994

Figure 5.3 South London youth employment forecast



Source: IES estimates from LFS and Census of Population

5.4 Summary

The findings from this analysis point to a number of emerging trends. On a national basis, the number of young people in employment fell by more than a third between 1990 and 1993. This fall will bottom out in the mid 1990s and will rise gradually to the year 2000. Even so, the level of youth employment in 2000 will be less than the 1993 level.

In the SOLOTEC area, the projected growth (or decline) of youth employment shows the same pattern. Total youth employment initially falls further than for the whole of Great Britain, begins to recover at roughly the same time but does so at a lower rate. By the year 2000, youth employment is expected to have reached 82 per cent of the 1993 level (but less than 60 per cent of its 1991 level).

6. Discussion and Implications

6.1 Introduction

The review of the literature and the summary of the employer interviews have indicated that the decision to be involved, or not, in Training Credits, is not a simple one which is just centred around a 'product', which the employer may choose to purchase. Such a decision has to be seen in the context of labour market processes. In this section we describe these labour market processes which determine involvement with Training Credits and then move on to describe how SOLOTEC may wish to act to improve involvement. In Section 6.2 below, we examine the process by which an employer may become involved in Training Credits. In the following section we then examine possible policy responses in the light of this analysis.

6.2 Employer involvement in Training Credits

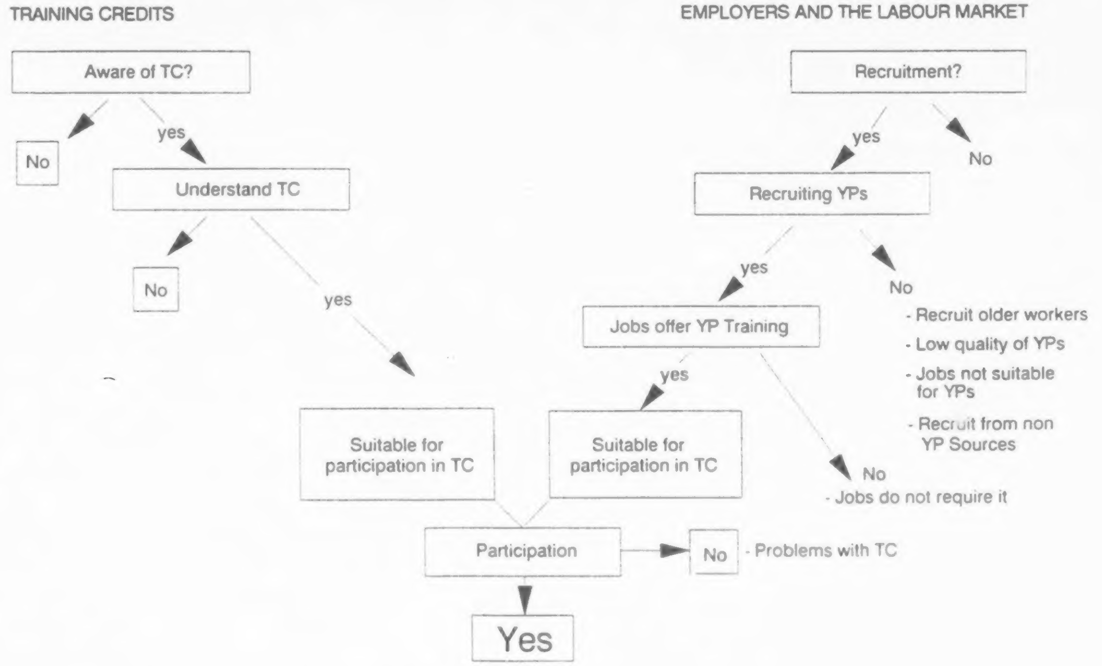
For employers to take part fully in Training Credits they have to complete two processes, namely:

- be fully aware of and understand Training Credits
- be in a position to offer a young person a job with adequate training.

These two processes are often so close together they are often seen as one and, indeed, with an initiative which is fully integrated into labour market practice (such as YT possibly was) the decision to recruit a young person and become involved in an initiative becomes almost simultaneous: the employers decided to recruit a young person and the accepted labour market route was via YT. However, when an initiative becomes this institutionalised into the labour market, the extent to which it can be thought of as actually changing behaviour is limited and levels of deadweight, and substitution become unacceptably high. With Training Credits, awareness and understanding is sufficiently low that we believe it is not yet an automatic part of the labour market process.

Because of this, and for ease of exposition, we have shown these two processes in diagrammatic form in Figure 6.1. This shows schematically (and possibly simplistically) the two decision-making process: it is a device by which we can isolate and analyse a series of decisions to allow us to identify potential policy responses.

Figure 6.1 Employer involvement in Training Credits


TRAINING CREDITS
EMPLOYERS AND THE LABOUR MARKET
Aware of TC?
No
yes
Understand TC
No
yes
Recruitment?
yes
No
Recruiting YPs
yes
No
- Recruit older workers
- Low quality of YPs
- Jobs not suitable for YPs
- Recruit from non YP Sources
Jobs offer YP Training
yes
No
- Jobs do not require it
Suitable for participation in TC
Suitable for participation in TC
Participation
No
- Problems with TC
Yes

6.2.1 Training Credits

The first of these routes is, relatively speaking, the most straightforward: awareness and understanding of Training Credits.

Awareness

We know that employer awareness of Training Credits is low from national studies, SOLOTEC's previous work and our own research. In our research, 93 employers of the 250 had heard of Training Credits and slightly less than half in the face to face interviews.

Understanding

Even amongst those employers who are aware of Training Credits, understanding and involvement is low. The employers who were aware and participating in the initiative knew very little of the mechanics: all this is handled by the managing agent, usually to a reasonable level of satisfaction.

On this 'side' of the decision-making, it is therefore only those employers who are aware and who understand the Training Credit process who are likely to participate. The evidence is that this is only a minority of employers.

6.2.2 Employers and the labour market

On the other side of the decision tree there are a greater number of factors to take into account. We will discuss these in turn.

Level of recruitment

Initially there is the decision whether or not to recruit. Because of the recession, employers are either reducing staff numbers or not recruiting and holding the size of the workforce stable. Our employer interviews showed what we consider a surprisingly high level of recruitment activity. However, that recruitment activity is quite specific, with employers seeking experienced people or people to fill specific vacancies. This particularly disadvantages young people leaving school as they rely on a certain amount of churning in the labour market to enable them to gain an entry into the labour market. In our research, nearly two thirds of the employers in the face-to-face interviews had either reduced employment levels or kept them static. However, the employers in the telephone survey showed some evidence of recruitment, albeit at very low levels.

Recruitment of young people

For those employers who are recruiting, there is a further choice of whether to recruit young people or not. Our research indicates that the youth labour market has all but collapsed during the period of the last recession and will not recover fully to the turn of the century. This is partly to do with the overall downturn, but is also more specific in that we have found evidence at both the national level and the local level to suggest that many employers do not recruit young people. There are a number of reasons for this:

- A preference for older workers. This may be because of a strategic change in recruitment policy or it may be because of increased competition between young people and adults: a competition which (all things being equal) adults tend to win because employers are increasingly looking for experience.
- Employers may explicitly not recruit young people because of the perceived quality of young people. The employer interviews did note some concerns on quality, particularly on attitudinal problems ('lazy') and on basic skills (particularly literacy). The high (and increasing) staying-on rates have exacerbated this problem as it is those at the bottom end of the quality spectrum who are leaving.
- The job on offer may not be suitable for young people. This may be for moralistic reasons (it being a 'dead end job' which the employer does not regard as a suitable start in life), or for legal reasons, such as restrictions on working hours, health and safety, *etc.*
- The employers may recruit from sources in which there are very few young people. Therefore, employers who recruit via the Careers Service or a managing agent/training provider would be more likely to recruit a young person than one who relies solely on word of mouth. Evidence on this is limited.

There is every evidence to suggest that this reduction in recruitment of young people will continue into the future. Our projections for the employment of young people suggest that whilst the number of young people entering employment will begin to recover from its nadir in 1993, but even by the turn of the century will only be at 74 per cent of its 1994 level.

Training

For those employers who are recruiting young people the decision to train or not to train does not appear to have been a great problem. There is a high level of training for young people reflected by the national data and both sets of employer interviews reflect this. All recruits receive some training, even if this is just induction young recruits tended to get more than this. There are different levels, depending on the nature of the job and the employer. All apprentices were receiving three to four years training, with structured off-the-job training and a recognised qualification at the end. For non-manual jobs, employees received some training, although this varied enormously. Much of the training did not have an off-the-job element, was often based on internal standards and did not lead to any recognised qualification.

Involvement in Training Credits

Actual involvement with Training Credits in our sample was low. There are, however, a few points to note:

- The employers knew very little about the initiative and it was managed by a third party. They remained happy with this.
- There is little evidence that the existence of a grant will change recruitment behaviour. The employers who are anti-young people, or thought that the jobs were not suitable would not be swayed and a grant would not change this. They have decided where their business needs lie and will behave in this manner. For those who will take on young people, a grant would have marginal effect; the main factor will always be the overall business need and they would have probably taken on the young person anyway.
- The existence of a grant may have some impact on training. However, this would be limited and the probability of deadweight is very high. They would accept the grant if it meant that they did not have to change their training, which had already been designed to meet business needs. For those employers who training internally to their own standards (especially non-manual jobs) using mainly on-the-job methods, Training Credits would not easily fit into their internal systems.
- If they are to be involved with the initiative, what seems *vital* is that the employer has a high level of control on the individual who joins the company. Employers are increasingly laying emphasis on 'getting the right person'. Thus, any initiative would have to facilitate employers selecting people who will fit into existing business needs.

- Employers were wary of the bureaucracy surrounding such initiatives. Much of this related to previous initiatives (especially YT) but was tainting employer views of future involvement. Part of this is due to employers having slimmed down and do not have the capacity to deal with external requirements.
- There is a danger that Training Credits will be tarred with the image of a 'dumping ground': being stocked with young people who do not have the ability to continue in education. Again, this may be a continuation of images from previous initiatives.

6.3 Policy responses

An examination of Figure 6.1 may lead to initial feelings of despondency. There are a high number of options for an employer to reply in the negative and so rule themselves out of involvement with Training Credits. Looked at this way, it may be more surprising that any employers are involved at all!

The policy options that must be examined are therefore ones which begin to increase the likelihood of an employer replying in the positive at any of these stages. By doing so we would automatically increase the probability of involvement in Training Credits.

Again, we must bear in mind the proviso that this is an analytical tool and that in reality some of these decisions will be taken simultaneously: however, if we examine each of the decision processes in turn we can begin to see ways forward. Where appropriate, we have joined two or more of the issues together to form a single line of argument.

Our initial views are focused on the employer and labour market strand, again following the labour market processes.

6.3.1 Training Credits

Awareness of Training Credits

Awareness, in the sense of having heard of the title, does not appear to be a big problem. Understanding, however, is lower. The situation appears to be that employers are aware that Training Credits involves young people: they are not recruiting these and so they pay little attention. If when employers look to recruit more young people, they are aware that some kind of grants are usually available, they would then go and look for some help.

Participation in Training Credits

If an increase is wanted in employer involvement in Training Credits there are a number of options that could be considered. These included:

- Expanding the age range for which Training Credits can be applied. As employers are increasingly looking to older recruits, as staying-on rates increase, so initiatives to help people with jobs should follow this trend and be applicable for older workers.
- Consideration needs to be given to making Training Credits appropriate to those employers who mainly train in-house, on-the-job to their own standards. This may be encouraging training providers to make alternative off-the-job training facilities available, or it may be some form of accreditator of these internal systems. Training Credits need to be made more flexible to suit alternative employer training systems.
- The initiative has to be made non-bureaucratic and employers have to be assured that it will be so.

Fundamental changes in the way that Training Credits is organised do not seem appropriate. Managing agents perform a number of tasks over and above the running of Training Credits (*eg* help in recruitment and selection) and employers seem content with this.

6.3.2 Employers and the labour market

Recruitment

Stimulating greater labour market activity and recruitment is beyond the powers of SOLOTEC and will await the ending of the recession and a general increased level of economic activity. However, there is some doubt that with re-structuring and slimmer, flatter organisations, any recovery will filter through to the labour market in a proportionate way and that growth in employment prospects may be limited.

Recruitment of young people

What this does mean is that SOLOTEC has to translate any increased demand for labour with increased demand for young people, by acting on the propensity to include young people in their recruitment process. There are a number of ways in which they can do this:

- A promotional campaign which emphasises the competitive advantage of young people, and which aims at counteracting the general negative images that employers have of young people. There may be scope for exploiting the positive images that employers have of work experience and linking this to Training Credits.
- Employers need to be convinced of young people's quality. This will need a high level of involvement in selection processes, but also quality assurance from a third party (such as SOLOTEC) to ensure quality.
- Young people need to be taught how to compete better with adults. This may involve training in application skills and CV forming.

Training

Our research indicates that training does not appear to be a fundamental problem: if a young person gains employment then very often, training is given as an automatic procedure. Emphasis should be given therefore to ensuring that the training is of a suitable quality and SOLOTEC should seek to ensure that any young person's training should lead to a nationally recognised qualification, preferably a National Vocational Qualification.

6.4 Summary

The research findings indicate that the youth labour market has suffered a dramatic collapse over the period of the last recession. Due to work and organisational changes there are few prospects of a recovery to the levels enjoyed in 1991. This my have beneficial effects in that it has undoubtedly contributed to the increased staying-on rate in education but has, in the short-term, created problems for SOLOTEC, particularly in generating sufficient employer involvement to meet the Youth Guarantee.

We believe that SOLOTEC response to this should act on a number of fronts. With regard to Training Credits we believe that SOLOTEC should:

- consider a concentrated marketing campaign aimed at raising awareness and understanding of Training Credits, thus encouraging involvement.
- consider minor changes to Training Credits to make it operate more flexibly and less bureaucratic. Particular changes which might be considered are:
  - expanding the age range for which Training Credits can be applied. As employers are increasingly looking to recruit older people, so eligibility should follow this trend and allow applicability to older workers.
  - making Training Credits appropriate to those employers who train mainly in-house, on-the-job, even perhaps to their own standards.

Given that SOLOTEC's ability to create employment in its area is limited, we feel that it should concentrate its efforts on increasing the chances of employers considering young people as potential recruits. This should involve:

- a marketing campaign which identifies the advantages of young people *vis-à-vis* adults, stressing their competitive advantage and counteracting such negative images as exist. This may usefully build on the positive images that many employers have from their involvement with work experience schemes.
- increased amounts of job skill training for young people so that they can operate more effectively in the labour market.

Appendix 1

This appendix describes the shift-share methodology in more detail than is included in Chapter 5, and explains how the technique can be used in forecasting, and limitations of the methodology that need to be borne in mind when interpreting the results.

Shift-share analysis

Shift-share analysis is essentially a technique designed to examine employment change. It is designed to disaggregate the total observed employment change into a number of components. The direction in which these components are moving (*ie* positive or negative), and their strength relative to each other, provides assistance in explaining the overall change in employment. The shift-share technique is most commonly used to examine the employment change in a local area, but is just as applicable when looking at the employment change of a particular sub-group of the population, *eg* young people.

There are three components of change which shift-share analysis identifies:

- the National Component
- the Structural Component, and
- the Residual or Differential Component.

The **National Component** is the change that would have occurred if total employment in the area/sub-group had grown at the same rate as total employment nationally.

The **Structural Component** is the change that would have occurred if each industry in the area/sub-group had changed its employment at the same rate as that industry in the national as a whole, less the national component. That is, the structural component measures that part of employment growth that can be attributed to the particular mix of industries in the area/sub-group.

The **Residual Component** is the difference between the actual change in employment and the national and structural components. Thus it indicates whether the change in employment in the area/sub-group is higher or lower than would be expected once the national trends and industrial structure have been taken into consideration, or to put it another way, provides a measure of an area's/sub-group's employment performance once its initial advantages or disadvantages have been taken into account.

Although the residual component gives an overall indication of the relative performance of the particular area or sub-group, it does not give any information on how or why the area/sub-group is performing better or worse than would be expected, and it also combines supply-driven and demand-driven influences. At a local area level, the residual component could include the net in or out movement of labour, and the performance of its indigenous industries; when looking at youth employment the residual component could include changes in the numbers of school leavers, and changes in employers' working practices regarding young people.

Using shift-share analysis in forecasting

Although shift-share analysis is a tool for examining past employment change, it can be used to forecast future changes in employment for the particular area/sub-group in combination with overall national employment forecasts. However, an important, and not always realistic assumption has to be made — that the relative performance of the particular area/sub-group will not change over time.

When using shift-share analysis to examine past employment changes, the user has the following four pieces of information — employment in the particular sub-group at start of period and at end of period, and national employment at start of period and at end of period — and uses the technique to calculate the fifth piece of information, namely the components, and particularly the residual components.

When using shift-share analysis to examine likely future employment projections, the user assumes that the performance of the particular sub-group relative to the overall performance will be the same in the future as in the past, *ie* that the residual components will be constant over time. The user then has four pieces of information — employment in the particular sub-group at start of current period (*ie* end of previous period), national employment at start of period, national employment projections for end of period, and relationship between sub-group employment performance and overall employment performance (residual components) — and uses the shift-share technique to calculate the remaining unknown, namely projected sub-group employment for the end of the period in question.

Limitations of shift-share in forecasting

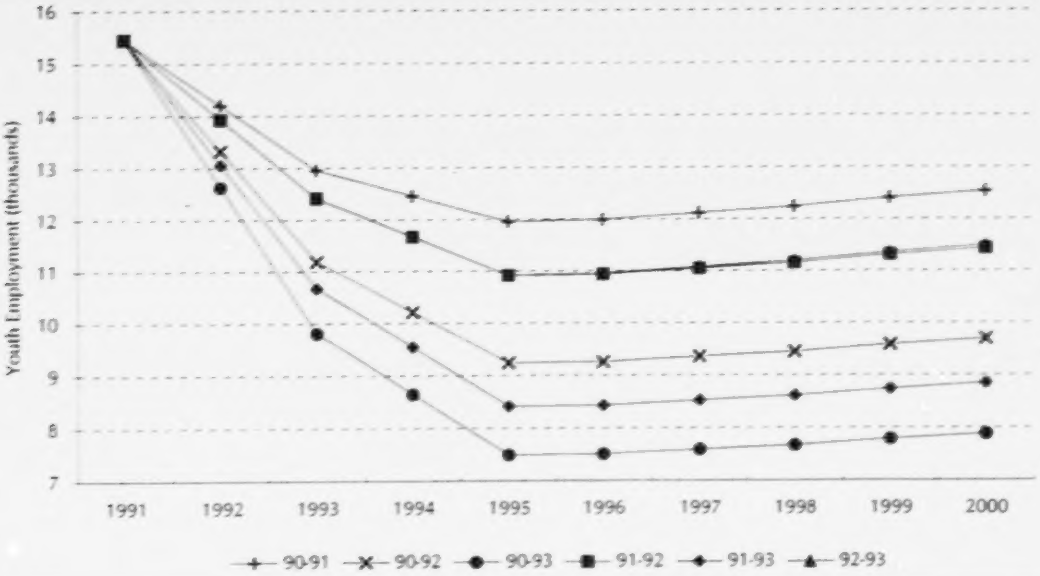
There are a number of limitations affecting the use of the shift-share technique in forecasting which need to be borne in mind when interpreting the results. These limitation apply to the methodology generally, but especially need to be considered in this exercise when modelling the employment of a particular sub-group (young people) in a local area (South London).

- The first limitation is that the reliability of the local area or sub-group forecasts is dependent upon the quality of the national forecasts that are being used as the basis for the projections.
- Secondly, the methodology assumes that the employment performance of the area/sub-group relative to the overall national employment performance remains the same over time, and this assumption becomes increasingly unrealistic the further into the future one is forecasting.
- Finally, the results are very sensitive to the period for which the residual components are calculated, and taking a slightly different time period could greatly affect the results of the forecasting exercise.

These limitations are compounded in the current exercise. The employment projections for young people in South London are based on overall employment projections for the SOLOTEC area, which are likely to be less reliable than national projections and have the potential to be greatly influenced by particular local shocks. The model assumes not only that the performance of the youth labour market relative to the all-ages labour market will remain the same over time, but that this relationship will be the same in the South London area as in the country as a whole, and again any local shocks could have a large influence on the actual out-turn. Finally, the model, like any projections based on shift-share analysis, is very sensitive to the period over which the residuals are calculated, and this is exacerbated in the current exercise by the fact that there is only one observation for youth employment in South London, from the 1991 Census of Population. It is therefore necessary to estimate the current picture of the youth labour market, and then calculate the projections based on this estimate. The figure below shows the effects on the SOLOTEC projections of using different periods over which to calculate the national residual components, and as can be seen, the variation between the different models is very large.

Thus, when interpreting the model of the South London youth labour market it must be borne in mind that the projected trends are only as reliable as the overall employment trends in the SOLOTEC area, that the model rests upon the assumption that the behaviour of the youth labour market relative to the all-ages labour is the same in South London as in the country as a whole, and the same in the future as in the past, and that taking different periods over which to calculate the relative behaviour of youth employment, *vis-à-vis* overall employment, will produce markedly different figures for projected youth employment in South London.

Figure A.1 Youth employment in SOLOTEC: residuals calculated over different time periods



Source: IES

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This research examines employers' involvement with the youth labour market. It explores ways in which policy makers can influence employers' decisions to recruit young people or old. The results have implications for all policy makers who are interested in the operation of the youth labour market.

The fieldwork for this study was undertaken in the South London area, but the analysis is at a national level. The findings are therefore applicable to the UK as a whole.

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